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## **China**

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# China

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## GENERAL

### Evolution Toward Multipolar Global Pattern Seen 91CM0498A BEIJING XIANDAI GUOJI GUANXI (CONTEMPORARY INTERNATIONAL RELATIONS) in Chinese No 30, 31 May 91 pp 8-12, 17

[Article by Zhao Qulin (6392 2710 2651); "Several Problems in the World's Strategic Pattern"]

[Text] The term world strategic pattern is generally used to mean the relative stability that the major nations (or blocs) in the world shape on the basis of their relative strength and common interests, and the overall scheme of things in international relations that is able to influence the world situation. Study of the trend and the form of the post-cold war strategic pattern involves a basic estimate about future world trends, and also has a bearing on how every major country (or bloc) will define its future position in the world and use it to formulate corresponding internal and external policies. This article provides a somewhat cursory analysis of several persistent problems in this regard.

#### I. On the Present World Strategic Pattern and the Present Historical Period

Several formulations exist today about the real world strategic pattern: One maintains that the old bipolar pattern has greatly changed but has not yet come to an end, and that a new pattern is in process of formation. The main reasons given for this contention are that despite the relative weakening of U.S. and Soviet strength, two major powers still exist in the world today, and although U.S.-Soviet relations have begun to enter the "dialogue" and "cooperation" stage, this is only a tactical change. It is another way in which contention is manifested. The essential and potential relationship between them is still one of confrontation and struggle, and the newly emerging major powers (or blocs) will remain unable for a considerable period of time to sit down as equals with the United States and the USSR to affect world affairs. A second maintains that the old bipolar system has already come to an end, and that a new multipolar system has taken shape. The watershed was from the 1989 Malta Conference to the unification of the two Germanys on 3 October 1990. This is marked mainly by U.S.-Soviet relations having entered a stage of "cooperation in many regards," and a change in the confrontation between the NATO and Warsaw Pact military blocs. The ability of the United States and the Soviet Union to control their allies has either vanished or has greatly weakened. At the same time, other major powers have begun to play an ever greater role in world affairs. A third maintains that the old bipolar pattern has come to an end, but a new multipolar pattern has not yet taken shape. We are currently in a transition period between bipolarity and multipolarity. The writer concurs in this view, and he maintains that the transition period will be a fairly long historical process. His main reasons are as follows: The reasons for the changes in the present pattern differ from

the reasons for the previous four changes in the pattern during the past 200 years. The changes result from a non-violent and peaceful evolution propelled by science and technology, economic strength, and modes of thinking over a long period of time while the previous four adjustments of the pattern resulted from wars. The "Vienna system" established during 1814 and 1815 resulted from Napoleon's defeat in war. The emergence of a new pattern that replaced this system in the 1870's resulted from the unification of Germany and Germany's victory in the Franco-Prussian War. The new pattern founded on the Versailles system in 1919 was an outgrowth of World War I; and the "Yalta" system (i.e., the bipolar system) that replaced this pattern was an outgrowth of World War II. Since the reasons for the present change differ from the previous four times and the change is the result of peaceful evolution, the United States and the USSR, which were at opposite poles formerly, still play roles in the new pattern. This means that the present pattern will have to go through a fairly long historical transformation process. The writer believes that three interrelated yet distinctive different stages will occur in this process, namely the "old pattern continuation" stage, the "new and old pattern overlapping" stage, and the "new pattern formation" stage. During the first stage, the old bipolar powers will still be strong and play a guiding role in the balance of power and their ability to influence international affairs, and they will still stubbornly uphold the bipolar pattern system and its interests. However, the ways, means, and tactics they use are bound to be readjusted to emphasize dialogue, discussion, and even "cooperation." They will also have to draw support from and even rely on newly emerging powers to look after certain of their interests. During the second stage, elements of the new and the old system will exist side by side, and there will be no fixed primary and secondary relationship between the two poles in terms of the balance of power and their influence on world affairs. They will play a common role. This is the time in the whole transition period when relations between the poles will be the most overlapping and complex, and also the most fluid. After a long period of sparring between the two poles, the rise and fall in the power of each pole will gradually stabilize, the metathesis between strength and weakness will tend to end, and the overall trend of historical development will have become clear. This will mark the entry into the third stage. During this period, the features, rules, and forms of the new pattern will become fully manifest and play a leading role in deciding world trends. On the basis of the foregoing analysis, the writer believes that the entire process will last at least until the end of the 1990's, and possibly somewhat longer, and that the present changes in the pattern are in the latter part of the first stage.

#### II. Major Factors Affecting Trends in and Formation of the World Strategic Pattern

Since changes in the pattern result from the role of numerous factors over a long period of time and will be a fairly long historical process, it is possible to say with assurance that very many factors will continue to generate major effects on the trends in and formation of the

new pattern. In terms of the world as a whole, these factors include at least the following:

**First Is the Outlook for Soviet Reform** The Soviet Union is a major pole in the bipolar pattern, which exerts enormous influence on world affairs. However, the USSR happens to be going through a process of reform at the present time in which it is encountering tremendous difficulties. These are manifested in three main regards as follows. The most fundamental problem is the economy, and the most critical problem is ethnic relations. Economically, the national economy of the USSR has been on the skids for many years in a row, and negative growth has begun to occur. The government's financial situation is worsening with each passing day, and the fiscal deficit has approached the critical point at 58 billion rubles. Severe market shortages exist. Ethnically, separatist sentiment is increasingly on the rise with some republics having openly called for separation from the USSR, and virtually all republics having passed laws calling for increased autonomy. As a result, relations within the union are tense and complex. The USSR's ability to solve these difficulties will directly affect its national power and its position in the future world strategic pattern, as well as the trend in and formation of the new pattern. Furthermore, the key to solution of these problems lies in how current reforms will proceed, meaning, in short, whether the domestic situation will remain stable and whether reform can succeed.

**Second Is the Trend of Development in Post-Unification Germany** The history of the past 200 years shows Europe to have been the source of and the key element in changes in the global strategic pattern, and Germany has frequently held a central position in these changes. Consequently, Germany's direction is bound to become a major factor affecting trends in and formation of the future pattern. Following unification of the two Germanys, in particular, its national strength equals that of the United Kingdom and France combined, and its GNP will be only lower than that of the United States, the USSR, and Japan for fourth place in the world. In addition, historically changes in Germany's foreign policy have always been enigmatic, thereby increasing people's concerns about Germany's direction. As analysts have pointed out, different scenarios in which Germany and the United States will form an alliance, or Germany will link up with the USSR, or whether it will be Germany's Europe or Europe's Germany will directly lead to a different organization of the European pattern. Differences in the European pattern are bound to have different effects on the trend of development and formation of the world strategic pattern.

**Third Is Japan's Trend of Development** Japan is the country in which economic development has been greatest in the post-war Western world. Today it has become a world-acclaimed major economic power, and it now aspires to becoming a major political power. In scientific and technical fields that play a major role in a nation's power, Japan has already made outstanding advances. In the fields of microelectronics and new

materials and in the development of new technologies for civilian use, not only has Japan overtaken the United States, but it has even achieved marked superiority. In 1990, Japan's GNP was already 54 percent that of the United States, and its 1987 per capita income was greater than that of the United States. By the year 2000, it will be 30 percent greater than that of the United States. In foreign development assistance, Japan exceeded the United States in 1989 providing \$10 billion, becoming the world's primary provider of foreign assistance and its largest creditor nation. Backed by a powerful economy and technology, Japan has taken active part in international affairs in recent years and is seeking to build a new world pattern resting on a tripolar structure of the United States, Japan, and Europe (meaning the European Community, and the same applies hereinafter). Can Japan's intentions be realized, and what means will be used to realize them? What changes will occur in relations between Japan and the United States, Europe, the USSR and China? As some Western political experts have pointed out, if Japan uses its enormous economic and technological power to control an Eastern bloc, to say nothing of forming an alliance with an Eastern bloc, that will have a fundamental influence on the world pattern.

**Fourth, Other Reasons.** In addition to the foregoing factors, world economic development prospects, particularly the economic competition and frictions among developed countries; the further widening of the north-south economic gap; the progress of science and technology; the application of science and technology to social life; the escalation of the role of the Third World in international affairs; and the increasing instability in regional factors, etc., will all have major influence on trends in and formation of the new world pattern.

### III. Basic Configuration of a Multipolar Strategic Pattern During the 1990's

Even though the trend and shape of the strategic world pattern in the 1990's is still in a fairly long transition period, and is subject to the effects of the foregoing various uncertainties; nevertheless, people have already begun to explore and put forward various different views of it. Some see a three-polar configuration made up of the United States, Japan, and Europe, or of the United States, Japan, and Germany. Others see a four-polar configuration made up of the United States, the USSR, Japan and Europe, or a five-polar configuration made up of the United States, the USSR, China, Japan, and Europe. The writer believes the pentapolar configuration to be the formulation most consistent with realities. Theoretically, this is because political, economic, and military influence in the world is a necessary requirement to become a pole and also a necessary requirement for being a major power or bloc of pivotal importance to changes in global affairs. Specific requirements are as follows: 1. Possession of a certain percentage of the world economy and having a major effect on it; 2. definite political and diplomatic influence and appeal; 3. substantial military power (including nuclear power) and ability to

use this power at critical times; and 4. a certain territorial area, fairly abundant natural resources, a certain size population, or, in the absence of plentiful resources, the possession of rather solid technological strength, and a generally fairly high educational level in the citizens of the country. On the basis of these requirements, the writer believes that the United States, the USSR, China, Japan, and Europe will form the basic framework for a multipolar strategic pattern during the 1990's, deciding basic world trends. This is because: First, as a practical matter, the aforementioned five countries basically possess all or most of the requirements for being a pole. Second, in terms of development, for a fairly long historical time to come, no other country or bloc in the world will be able to overtake, much less surpass, the aforementioned five countries. Third, historically, the basic reasons leading to the decline of the old bipolar structure and the development of the new multipolar structure were an outgrowth of changes in relations among the aforementioned five countries and changes in the growth and decline of their relative strength. Naturally, the strength and the role of the aforementioned five poles that now are in the making is neither immutable in any given historical period, nor like the five fingers on a hand. It will be a multipolar structure in diverse fields and at multiple levels.

**A. Politically, the United States, the USSR, and China Are in the Strongest Positions, but Japan and Europe Are Newly Coming to the Fore.**

The United States, the USSR, and China are world-class major powers, founders of the United Nations, and members of the Security Council. Each pursues a foreign policy representing different political interests. Their influence on international affairs is such that all other nations and blocs find it difficult to match or replace it. On some issues, these three are able to reach a consensus; however, it is very difficult for them to reach unanimity in every case and on all matters. Despite the easing, the discussions, and even the "cooperation" that has taken place in U.S.-Soviet relations, the two countries really belong to two different systems, and they are two military superpowers on guard against each other throughout the world. Over a long-range period, the easing, discussions, and even the "cooperation" between them will be limited in space and time. China and the USSR uphold their choice of socialism, but the two countries' circumstances differ, and their theoretical points of view and policy methods also differ. China and the United States have a common need to maintain stability and development in the world and in the Asia-Pacific region; however, differences exist in the two countries' social systems and value concepts. The foregoing basic factors determine that despite the existence of common or partially common interests that lead to the adoption of identical or partially identical positions and policies at certain times and on certain issues, it is impossible to suppose that China, the United States, and the USSR will reach a consensus on all matters at all times. The social systems and value concepts of Japan and Europe

are similar to those of the United States, in addition to which Japan and Europe will be hard put to catch up with the United States in overall strength within a short period of time. Therefore, during the total period of transition from the old to the new pattern, they will not easily take the place of the United States or play a role similar to that of the United States, the USSR, and China. However, as a result of the role of the laws of uneven economic development, with rapid economic development and increase in total national strength, the desire of Japan and Europe to play a role as a political pole in international affairs will steadily increase.

**B. Economically, the United States, Japan, and Europe Hold Appreciable Dominance, but the Potential of China and the USSR Cannot Be Underestimated.**

The United States, Japan, and Europe hold absolute dominance in the world's economy. Take 1989, for example, when the three countries' GNP totaled approximately \$12.33 trillion, or 68.1 percent of the world GNP of approximately \$18 trillion (including 26.6, 15.3 and 26 percent respectively for the United States, Japan, and Europe). Estimates call for a GNP of \$14.5 trillion for the three by 2000, which will still be about 54.9 percent of world GNP (including 23.2, 14, and 17.7 percent respectively for the United States, Japan, and Europe). Exports for the three totaled \$3.36 trillion, or 58 percent of the world total of \$5.74 trillion (including imports of \$1.72 trillion, or 58.98 percent of world imports totaling \$2.92 trillion; and exports of \$1.64 trillion, or 58 percent of total world exports of \$2.82 trillion). Direct foreign investment totaled \$742.3 billion, which was 77 percent of all countries' total direct foreign investment of \$962.8 billion (including 32, 8 and 37 percent respectively by the United States, Japan, and Europe). (Note. Figures are for 1988, and EC figures include only West Germany, the United Kingdom, and the Netherlands). In addition, the foregoing three nations possess tremendous production capacity and overwhelming scientific and technical superiority. This ensures the United States, Japan, and Europe a clearly dominant position in the world economy, and inevitably exerts dominant influence on the world economy. China and the USSR are two world-class powers, but for various reasons, including reasons having to do with the economic system, their economic power today cannot compare with that of the aforementioned three nations. Nevertheless, they are large countries abounding in natural wealth and plentiful resources. They stand first in the world in output of numerous things; they have tremendous production capacity, an integrated industrial and national economic system, a vast domestic market, relatively strong macroeconomic control capabilities, and ability to withstand a disadvantageous international economic climate. In addition to the effect of domestic political and ethnic problems on its economy, the main problems in the Soviet economy are a backward economic management system, high energy consumption, and a low labor productivity rate. China also has a problem with economic returns. Take energy consumption, for

example, China's energy consumption per \$1 of GNP is 4.97 times that of France, 4.43 times that of Japan, 3.82 times than of Brazil, and 1.65 times that of India. The foregoing problems may be effectively solved through economy reform. In addition, the existing economic foundation (meaning a USSR GNP that is about the same as Japan's and a China GNP that ranks ninth in the world, with estimates calling for China's and the USSR's GNP to account for 15.6 percent of world GNP by the year 2000) require a higher speed of development than the West (statistics showing an average GNP growth rate between 1970 and 1986 of 8.8 percent for China, about 5 percent for the USSR, 2.7 percent for the United States, 4.3 percent for Japan, and 2.4 percent for the EC.) This enables one to say with assurance that the gap in economic strength between China and the USSR, and the United States, Japan, and Europe will narrow. The effect of their economic development on the world will also gradually increase. This potential cannot be underestimated.

#### **The United States and the USSR Are Far Ahead Militarily; China, Japan, and Europe Are Steadily Moving Along.**

Both today and for a long time to come, no country or bloc in the world will be able to compare with the United States and the USSR in military strength. First, the United States and the Soviet Union are the only countries in the world that possess global military strategic and strike capabilities. They were also the earliest to research and develop space weapons. Second, United States and Soviet military expenditures amounted to \$430 billion in 1989 which was 45 percent of world military expenditures, totaling \$950 billion. Third, the United States and the USSR possess the most powerful nuclear strike capabilities. Their total number of warheads account for 97 percent of the world's 50,000 warheads. They have more than 24,000 strategic warheads alone, so even if agreement were to be reached for a 50 percent reduction in strategic warheads, their total number of warheads would still account for 96 percent of the world total. Fourth, U.S. and Soviet conventional forces and the various main kinds of weaponry stand first in the world. Fifth, they have the world's largest forces stationed abroad and the most naval bases. Sixth, the United States and the USSR's ability to project air and sea forces is the strongest in the world, thus assuring powerful mobility for their forces. By relying on this abundant military strength, both the United States and the USSR can checkmate each other, preventing their adversary from dominating the world. At the same time, they can use their military force as a backstop for the promotion of their own political, diplomatic, and economic policies, and their own value concepts, as well as for a means of solving international issues. They also rely on it to suppress the rise of new powers in order, continuing to safeguard their own domination in world affairs. Because of their national character (in the case of China), constitutional limitations (in the case of Japan and Germany), as well as the limitations of historical and

economic factors, the military strength of China, Japan, and Europe today cannot compare with that of the United States and the USSR. Although future development of military strength may occur, they cannot become military super powers. This is because experiences during the more than 40 years after the war show that attempts to rely solely on military strength to expand influence in world affairs not only does not succeed in its objective, but frequently results in an outcome other than the one desired. The crumbling of the bipolar U.S. and Soviet pattern is the result of such just a reaction. On the other hand, even though China's, Japan's, and Europe's military forces cannot compete with those of the United States and the USSR, they still count for much in the world, and other major powers or blocs cannot compare with them. Furthermore, with increase in their economic and political strength, their military strength will surely increase correspondingly. Actually, economically and technologically, no difficulties stand in the way of Japan's and the EC's large scale expansion of their military strength.

#### **In Addition, Geopolitically, the United States, the USSR, China, Japan, and Europe Each Exert Separate Influence in Europe, Asia, and the Third World.**

#### **IV. Basic Characteristics of the Future Multipolar Strategic World Pattern**

The main characteristic of the bipolar age was two antithetical superpowers, formulation of a strategy of military confrontation, promotion of two completely opposite political and economic systems, and the strategic goal of achieving victory over the adversary. By comparison with the foregoing characteristics, the multipolar pattern exhibits some new characteristics as follows:

**A. The Multilateral Nature at All Levels in the Strategic Line Up. The New Multilateral System Will Not Resemble the Bipolar System in Terms of the Formation of Two Large Opposing Camps on the Basis of Different Social Systems and Ideologies.** At different times, in different places, and in different situations, each pole will set different policies on the basis of its real economic and security interests, with overlapping and complex vested interest combinations emerging. At different times and under different conditions, political friends may happen to become economic adversaries, and military adversaries may cooperate politically.

**B. The Non-Dominant Nature of the Role That Each Pole Plays.** Just as during the bipolar age when the influence that the two superpowers exerted to maintain a roughly mutual balance in world affairs differed, because of the imbalance of forces in the multipolar pattern, the ability of different poles to support and influence world affairs will also not be the same. Even so, in the new multipolar structure, one may be certain that no single policy will be able to exercise such an absolutely dominant or monopolistic position at all times and in all events. The multiple poles will be mutually limiting and mutually

balancing. In this limiting and balancing process, the United Nations will play a greater coordinating function than during the bipolar age.

**C. Controllability of All Poles in Confrontational Relationships.** Absolute confrontation was an innate characteristic of the bipolar structure, but in a multipolar structure, this confrontational relationship will be more amenable to control, and be replaced by competition, discussions, coordination, or even "cooperation" within certain limits. This is because more than 40 years of history since the war show that confrontation can only lead to the mutual weakness, relative decline in status, or even the suffering of the confronting forces themselves.

**D. Diversity of All Poles in Methods Applied.** During the bipolar pattern period, the basic strategy of both poles when solving bilateral, global, or regional problems was containment and counter-containment, and the main tactic was military confrontation. The former was used in the 1961 Berlin crisis and the 1962 Cuban missile crisis, and the latter was used in the Korean war, the Vietnam war, the Afghanistan war, and the many proxy wars that the Third World conducted. In the multipolar structure, this single, rigid mode will undergo fundamental change. Political, diplomatic, and economic methods will come to be primary, and the military role will decline correspondingly.

**E. The Compatibility of Multiple Poles in Balancing Mutual Interests.** Every major power pursues its own interests to the exclusion of all others, to be sure. This exclusiveness was particularly marked during the bipolar period. However, in the process of making a transition to a multipolar process, the increase and the urgency of the common perils that mankind faces requires that major powers (or blocs) bear common responsibility on many issues such as war and peace; survival and development; biological, chemical, and nuclear weapons proliferation; international terrorist activities; the unchecked spread of drugs; and ecological balance. Even on regional issues, the coordinated action of all major powers is also needed under very many circumstances in order to safeguard the interests of all parties. Such is the case in the handling of issues such as Afghanistan, Kampuchea, and Arab-Israeli clashes. The seeking of a balance point or a so-called common ground when dealing with such issues is another feature of the multipolar pattern.

The multipolar structure is still in a process of change, and very many new features of it are still only appearing for the first time. It is still too early to explain it completely. However, it is possible to predict that as time goes by, as more progress is made in the change from the new to the old pattern, these features will become increasingly clear.

**Pro-Bourgeois Liberalization Article Attacked**

91CM0494A Wuhu ANHUI SHIDA XUEBAO  
[JOURNAL OF ANHUI NORMAL UNIVERSITY]  
in Chinese No 2, 10 May 91 pp 132-140

[Article by Sima Tongwen (0674 7456 0681 2429); "Criticism of the 'On the Mao Zedong Phenomenon'"]

[Text] During the political disturbances in 1989, BAI-JIA, an academic review magazine in Anhui Province published a 30,000 word article titled, "On the Mao Zedong Phenomenon," (hereinafter abbreviated to "On the Phenomenon"). Its writer purposely vilified Comrade Mao Zedong, distorted Mao Zedong Thought, and smeared the Chinese revolution. The article called upon Chinese to bring a true end to the Mao Zedong era, "thereby concluding their benighted feudal history," and to use western bourgeois ideology in the rebuilding of the cultural and psychological make-up of China for "another scaling of the heights of humanism." The preposterousness of the point of view and the spitefulness of the language employed was truly alarming. If some comrades lack sufficient understanding of the seriousness of the bourgeois liberalization trend of thought that has run rampant during the past several years, and if they are not fully aware of the necessity and the importance of adhering to the four basic principles and of struggling against bourgeois liberalization, a reading of this article will be very beneficial. We believe a scientific analysis and severe criticism of this "remarkable piece of writing" that fanatically publicizes bourgeois liberalization thinking is needed as a means of clarifying right and wrong, differentiating truth and falsehood, heightening understanding, and eradicating its odious influence.

## I.

At the beginning of the article, the writer of "On the Phenomenon" expresses his intention, which is to use a so-called "lucky" status to study and criticize the "Mao Zedong phenomenon." What is the "Mao Zedong phenomenon?" He describes it as "Mao Zedong and his Chinese revolution." On such an issue pertaining to major political principles, one should have an extremely solemn and prudent attitude. However, the author adopts an extremely erroneous position and uses an extremely erroneous attitude to distort and vilify Mao Zedong's magnificent image and the history of the Chinese revolution.

How to understand and treat Comrade Mao Zedong, the first leader of our party and country this generation, is not only a matter of criticizing him personally. More importantly, it is how to summarize historical experience in the Chinese revolution and construction. It is a question of carrying to the end the magnificent deeds that the older generation of proletarian revolutionaries began. Comrade Mao Zedong is a great proletarian revolutionary, a great Marxist, and the greatest national hero in the history of the Chinese people. From the time he was a young man, he employed an utterly fearless

spirit of "sacrifice for lofty ideals, and daring to rearrange the sun and the moon to bring forth a new day," devoting himself to the cause of the Chinese people's liberation. During the most difficult period of the Chinese revolution, he was the first to find the correct road for the revolution, steering the revolution from danger to security, and turning defeat into victory. Using the basic principles of Marxism, he absorbed the wisdom of the whole party, capsulizing a series of experiences in the long practice of the Chinese revolution to shape Mao Zedong Thought, which combines the universal principles of Marxism-Leninism with actual events in China, and to lead the Chinese people to great victory in both the democratic revolution and socialist construction. His signal contributions will shine in historical annals. They will be forever indelible. Like very many great personages who stand in the forefront of the historical tide, and who have their own shortcomings and made mistakes, Comrade Mao Zedong also committed serious mistakes in his declining years, but these were mistakes made by a great proletarian revolutionary. His contribution to the Chinese revolution are far greater than his mistakes. His achievements are first; his mistakes are second. We absolutely cannot discredit him completely because of his mistakes and tarnish his brilliant image. "Decisions on Various Historical Problems in the Party Since Founding of the People's Republic," which the Third Plenary Session of the 11th Party Central Committee passed, made a complete and factual analysis and evaluation of Comrade Mao Zedong's historical position, his achievements, and his errors. This has become a consensus throughout the party and among all the people.

However, the author of "On the Phenomenon" is completely contrary. First he makes the recondite statement: "Just how many people truly understand Mao Zedong?" In his view, as a result of the obstacles of "the miasma of words that Mao Zedong himself has intentionally or unintentionally put in place," people cannot understand Mao Zedong. Only he alone has "left the magnetic field of Mao Zedong," to rely on his own "spirit of reason and intuition," and his "awareness and sensitivity" to be able truly to clarify Mao Zedong's "secret history." What are the facts? This author, who has an unduly high opinion of himself, not only does not truly understand Mao Zedong. On the contrary, he is a crackerjack at doing all possible to distort and vilify him. He uses Sigmund Freud's "Oedipus complex" as a theoretical basis for making a psychoanalysis of sufferers of nervous disorders, dividing Comrade Mao Zedong's entire life into "incipient symptoms," "second stage pattern," and "tertiary symptoms." Following an absurd logical deduction, he categorically states that Mao Zedong was "completely irrational," had "ementia," and suffered from "schizophrenia." He was a "Mao Zedong alienated by a philosophy of struggle." His "alarming obstinacy, and his domineering political nature," created "tragedy for China's culture and China's history." As a great proletarian revolutionary, Comrade Mao Zedong waged relentless struggle against feudalism and imperialism,

and he devoted energy throughout his life to the liberation of the motherland, the prosperity of the nation, and the welfare of the people, but the author brazenly places him on a par with the Emperor Qin Shihuang and Hitler, saying that he lumped together as one the "great evil (the emperors), and the great virtue (the Confucian sages) in feudal society," and that "the significance for Chinese history of the Mao Zedong phenomenon was like the significance on world history of the Hitler phenomenon." ...enough, enough. Similarly vicious language can be found everywhere throughout the article, which we are not willing to waste pen and ink to quote further. In short, in the eyes of the author of "On the Phenomenon," Comrade Mao Zedong was not at all a great leader of the Chinese people; he was nothing more than an ugly, sick person; he was not at all the founder of a new China, but simply a feudal emperor. Just what is the meaning of such willful distortion and editing of history, crude vilification and vicious condemnation of Comrade Mao Zedong? Comrade Deng Xiaoping hit the nail on the head when he said that without Chairman Mao, there would be no new China. "To blacken Comrade Mao Zedong is to blacken our party and our country."

Just look at how the author of "On the Phenomenon" evaluates the Chinese revolution. We all know that the Chinese people under leadership of the Chinese Communist Party went through heroic struggle fraught with extreme hardships and difficulties. They overthrew the imperialist, feudal, and bureaucratic reactionary regime to win a great victory in the new democracy revolution, and they successfully brought about a great transformation toward socialism. Because ours was a country with a very long feudal history, contemporary society is a semi-feudal, semi-colonial society. Consequently, our party carried on a most resolute and most thoroughgoing struggle against feudalism during which it shaped fine democratic conditions. Nevertheless, feudalistic thinking cannot be eliminated overnight; it still generates a negative effect in the life of our society, including its political life. Therefore, we continue to regard opposition to the remnants of feudal thought as an important long-term task in the building of a socialist spiritual civilization. The author of "On the Phenomenon," does not so regard it. He maintains that the Chinese will never be able to straighten out just what is contained in a sweeping and ambiguous anti-imperialist, anti-feudal concept. Mao Zedong nurtured illusory "feelings of megalomania" about imperialism, and "unable to prevail against the adversary," he "could only resort to closed-doorism" to dispose of the matter. The Chinese people cannot make heads or tails out of the substance of "anti-imperialism and anti-feudalism"; they are even less availing against imperialism. Just how was the Chinese revolution a revolution that thoroughly opposed imperialism and feudalism? In his view, since Mao Zedong did not make the "enlightened choice" of the May 4th humanists, but instead used the apposition of Marxism and traditional Chinese culture to carry out a "Mao Zedong-style revolution," consequently "the results of the revolution did not wipe out Ah Q, nor did

it wipe out Old Man Zhao." It only "opposed corrupt officials without opposing the emperor," and it "only overthrew the emperor without repudiating dynasties." It did not topple feudalism; on the contrary, it "threw the Chinese into the abyss of feudalism." On the basis of such a distortion and editing of history, he arrives at the following conclusion: "The success of China's revolution enabled Chinese feudal culture to become an unprecedented state of voluptuousness: As a result of the adoration of Mao Zedong of all the Chinese people, a complete political, doctrinal, moral, and psychological juxtaposition was attained. If one were to say that Qin Shihuang marked the beginning of feudal cultural history, then Mao Zedong marked the conclusion of that history. This was a complete historical circle in which Mao Zedong employed radical methods to bring this extreme of history to an end." It is entirely obvious that he regards the Mao Zedong Thought that guided China's revolution as a product of the combination of Marxism with traditional Chinese feudal culture, and that he regards the Chinese revolution as a "peasant style rebellion" that changed the dynasty and reversed the enlightened spirit of the May 4th movement. Such sentiments go even farther than the preposterous theory that attacks Chinese socialism as feudal socialism. Can anyone who has the least knowledge of history and who has a minimum respect for historical figures believe such irresponsible remarks?

How to realize and appreciate that Comrade Mao Zedong and the Chinese revolution have a direct bearing on where China is going and what road it will take. Since the Third Plenary Session of the 11th Party Central Committee, the CPC has diligently summarized the lessons of historical experiences, has revived the ideological line of "seeking truth in facts," has made economic construction the centerpiece, has adhered to the four basic principles, has persisted in reform and opening to the outside world, and has moved ahead with revolutionary and construction activities initiated by the older generation of proletarian revolutionaries of which Mao Zedong is representative to win world-arresting achievements in the building of a distinctively Chinese brand of socialism. However, the author of "On the Phenomenon" portrays contemporary China as a scene of decline: "Post-Mao Zedong China is like a family following the death of a dictatorial father. This family is headed toward decline and fall just like the grand courtyard portrayed in the novel *Dream of the Red Chamber*." On the one hand, he slanders Chinese society as a dictatorial feudal society "headed for decline and fall," while he openly advocates the "Western humanist spirit," and the rebuilding of the "cultural and psychological make-up of the Chinese" on the other. He also encourages the so-called "elite," particularly among the intellectuals, to "find once the human starting point," and the "need to possess the courage to taste forbidden fruit," and to "choose anew" a capitalist "spiritual paradise." In short, he wants capitalism to replace socialism. The author declares that his writing of this article is "the first time" he has tasted forbidden fruit.

and that it is "neither a deep nor a light taste." We must offer a piece of advice to the author and that is that we hope this is the "very last" taste. It "should not be a beginning but an end." This is because China's history during the past 100 years has produced the irrefutable conclusion that this road comes to a dead end!

## II.

The author of "On the Phenomenon" has distorted the nature of China's democratic revolution and socialist revolution. He maintains that success in the revolution pushed feudal despotism to the "extreme," bringing about a "gradual loss" of individualism. The Chinese people thereby "paying a human cost." History can only return once again to the enlightened period of May 4th, using the rational spirit of western humanism and democracy to enlighten people's minds as the only means of exiting the "gate of the Garden of Eden" of feudal despotism. Here, we simply must clearly argue. How should the enlightened spirit of the May 4th period be regarded? Are revolutionary practice and ideological enlightenment antithetical or are they synonymous? Are we reviewing today the practice of western bourgeois ideological enlightenment to take the capitalist road, or are we persisting in taking Marxism as a guide to take the socialist road?

The May 4th Movement was a magnificent movement of ideological enlightenment. It occurred under influence of the Russian October Revolution and Marxism. It employed the unalloyed combat mode of the old democracy to raise high the banner of science and democracy, opposed old morality, advocated new morality, opposed old culture, advocated new culture, and conducted a thorough and uncompromising struggle against imperialism and feudalism. At the beginning, the May 4th movement, was a united front made up of three groups of people, namely communist intellectuals, petit bourgeois intellectuals, and capitalist intellectuals. Although intellectuals possessing rudimentary communist ideology were few in number, they played a guiding role in the struggle, which represented the direction of the movement's development, thereby enabling the new culture of May 4th to have a socialist element. It cannot be denied that at that time all sorts of western social and cultural trends pervaded China, such as freedom, equality, universal love, god-given human rights, individuality first, Nietzsche's philosophy, Darwin's theory of evolution, etc. Anything of use in opposing the old feudal culture and the old morality, the representatives of the May 4th Movement put to use, and they all played a definite role in the struggle. However, with the founding of the Communist Party of China, the widespread propagation of Marxism, and the deepening of political struggle, the new cultural camp of the May 4th divided and reformed. As Lu Xun said, "Some moved to a higher level, some went into retirement, and some advanced." Some bourgeois right wingers "sued for peace" with the restored feudal forces, and some practiced "complete Westernization," "losing" the revolutionary spirit of May 4th. Moreover, some intellectuals

who persevered in the anti-feudal struggle felt that personal emancipation, evolution, and such ideological weapons were powerless. They were insufficient to triumph over dark, reactionary forces, so they accepted Marxism to advance along with the pace of the age. Around the time of May 4th, Guo Moruo wrote some poems having a strong "individual emancipation" color, and that also contained incipient socialist ideology. By the middle of the 20th century, he felt deeply the limitations of an ideology of personal emancipation. He said, "I used to respect individuality and I held free people in deep respect, but as a result of some slight contact with people in society who live a miserable life during the past one or two years, I feel that in an era during which most people have lost freedom and have lost individuality entirely against their own will, for a small number of people to advocate individualism and freedom cannot be anything but somewhat presumptuous." (*Collection of Views on Literature and Art*, Foreword) He made up his mind to change his "former view, which had a strongly individualistic coloration," to stand with the proletariat and the broad masses of the people. Early on, Lu Xun was much influenced by individualism and evolution theory ideology. After a period of vacillation and tense ideological examination, and as a result of the study of Marxism and "the lessons of reality" during which he analyzed himself and "righted" his ideological "biases," he realized that "only the newly emerging proletariat had any future." As Qu Qiubai said, he "went from evolution theory to class theory, and from being an unfilial son of the gentry class trying to serve two groups to a true friend and even a fighter for the proletariat and the working masses." (*Collection of Miscellaneous Feelings of Lu Xun*, Foreword). He became the greatest and most heroic standard bearer for the new cultural movement. The change in ideology of Lu Xun and Guo Moruo was representative of the progressive direction of the May 4th movement. It showed that Marxism was increasingly assuming a commanding position. Historical facts show that although the ideology of personal emancipation and individualism first played a role in knocking off the shackles of feudalism during the May 4th Movement, they were not its main ideology and basic spirit. The author of "On the Phenomenon," speaks glibly about the enlightened spirit of May 4th, but it completely leaves aside the profound influence and the enormous role of Marxism. He neglects the socialist ideological factor in it, attributing it solely to western individualism. This distorts the revolutionary spirit of complete opposition to imperialism and feudalism of the May 4th movement. To pay him back in his own coin, this was the true loss of the May 4th spirit!

On the basis of a distorted understanding of the May 4th enlightenment, the author of "On the Phenomenon," supposes that the Chinese revolution reversed the direction of the May 4th enlightenment, thereby leading to a "loss" of individualism, and leaving the Chinese with an inhuman imprint that is difficult to erase. Was the Chinese revolution truly so ghastly and bloodcurdling?

Absolutely not. This point of view of regarding revolutionary struggle as being completely antithetical to ideological enlightenment and individual development is wrong. China's revolution began with the May 4th movement and advanced along the road of May 4th. Not only did it not "lose" the spirit of May 4th, but it continued to develop and deepen it. The people's revolution itself was a profoundly great ideological enlightenment and an ideological emancipation. In the struggle to overthrow the old world and the old order, the broad masses of people became more clever and more capable. They escaped from the burden of following old traditions, demolished spiritual bonds, and raised their ideological consciousness. Was this not the emancipation of thinking and the development of individuality? The success of the revolution changed the destitution of the people's lives and the sense of devastation everywhere in China. The broad mass of the people changed from being slaves on the verge of starvation to masters of the nation. They worked, labored, and struggled to create a more beautiful tomorrow. Could this be called "paying a human price" that created a "loss of individuality?"

In his "Speech at the Yanan Forum on Literature and Art," Comrade Mao Zedong said in discussing the need for literature and art to serve the broad masses that: "They urgently demand a general enlightenment, and they urgently demand the cultural knowledge and literary and art works that they so urgently need and readily accept in order to increase their enthusiasm for struggle and their confidence in victory, and to strengthen their unity, so that they can struggle with the enemy with one heart and one mind. Clearly, the enlightenment itself includes a social revolution historical component to improve the level of people's cultural knowledge and help them move in the direction of unity and struggle. The two are synonymous and not contradictory or antithetical. Both Marx and Engels noted explicitly that 'only in the collective can the individual achieve full development of his or her capabilities. This means that only in the collective can there be individual freedom.' (*Selected Works of Marx and Engels*, Vol. 1, p. 82). However, the "enlightenment" that the author of "On the Phenomenon" advocates, "individuality" is as incompatible with the collectivism of the revolution as fire and water. It is the western humanism of "full extension of individuality, full self-realization, and full expression of humanity." No matter how many pretty sounding terms are used to conceal what is meant, the true meaning of the terms "individual," "self," and "humanity" etc. used here, the true meaning is nothing more than extreme bourgeois individual first-ism. This author not only terms the ideology of working heart and soul to serve the people the "democracy" of feudal society, but in the magazine's "front cover statement," he says wildly: "I hope that the Chinese will collectively die, and then be individually reborn." This sentence fully reveals the essence of the problem and where the harm lies.

In evaluating a representative of the 18th century French enlightenment, Engels said: "The great personages in

France who stimulated people's minds about the coming revolution were themselves extraordinarily revolutionary... the great thinkers of the 18th century were also like all of their forerunners in being unable to go beyond the limitations that their own era imposed on them." They used the weapons of "liberty," "equality," "human rights," "reason" and "eternal justice" to criticize mercilessly the feudal system, religious privilege, and all traditional ideas, playing an extremely revolutionary role in the struggle to establish a capitalist system, but the "rational and eternally just kingdom" that they fancied they were establishing, "was nothing more than an idealized capitalist kingdom." After the bourgeoisie seized power, they employed even more ruthless methods to exploit and bleed the working class and laboring people. Money ruled everything, and the superstition, favoritism, privilege, and oppression was not pushed aside or driven away by so-called "reason and eternal justice." Thus, "eternal justice was realized in the bourgeois legal system, equality became bourgeois equality before the law, and the most important human right was declared to be bourgeois ownership rights." By comparison with "the wonderful promises of students of the enlightenment, the social system and the political system built from the 'victory of reason' turned out to be an extremely disappointing caricature." (Engels, "Development of Socialism From Fantasy to Science"). Certain rational things in bourgeois enlightenment ideology have been analytically and critically absorbed. We can continue to use them to eliminate remnant feudal ideology. Comrade Mao Zedong noted clearly that "Everything in the enlightenment era culture of all capitalist countries that we can use today should be absorbed." ("On New Democracy"). Nevertheless, they are still social concepts and value concepts of the bourgeoisie. Today, history has entered the era of the proletarian revolution and socialism. The people of China are building a distinctively Chinese brand of socialism heart and soul. Marxism and socialism have become our guiding ideology. To imagine taking the "extremely disappointing caricature" drawn in accordance with bourgeois "reason," and to fashion it into a tune that makes people long for the past, and bring it to the stage of history for a performance is a farce in itself, and extremely absurd and ridiculous. The author of "On the Phenomenon" spares no pains in calling for a spirit of western humanism. He wants to carry out a new "enlightenment" i.e., he wants to use bourgeois ideology to take the place of and negate Marxism and socialist ideology, turning back the clock of history, and reversing the direction of the development of history.

Here it should be noted particularly that in criticizing the so-called "Mao Zedong Phenomenon," the writer of "On the Phenomenon" says both that "Mao Zedong was out of tune with enlightenment reason and democracy his whole life long." He attacks Mao Zedong Thought in a roundabout way as the "feudalization" of Marxism. He mentions Chen Duxiu, comparing him with Mao Zedong, and both endorsing and praising him. He says that Chen Duxiu was "a symbol of the enlightenment

spirit throughout his life," and that he "embodied a kind of humanistic and democratic spirit." The writer also points out that "it was this spirit that made him hold reservations about the revolutionary methods of the Hunan peasant movement, including Mao Zedong's subsequent peasant armed struggle whereby the rural villages surrounded the cities. He maintained that the Chinese revolution cannot skip the capitalist stage, and cannot be anything other than democratic in character." Nevertheless, "half a century after Chen Duxiu's defeat, people rediscovered this rational spirit." Is this not the same thing as saying that the revolutionary road of the rural villages encircling the cities and armed seizure of power that the CPC as represented by Mao Zedong selected was wrong, and that finally it would be better to have a "second revolution in accordance with Chen Duxiu's humanistic and democratic 'spirit of reason' to permit China to have a capitalist stage?" We know that the political, ideological, and cultural weakness and compromising character of China's proletariat resulted in their not having the independent moral character and combat courage of the western proletariat in the face of strong imperialist and feudal forces during the period of ascendancy. It was impossible for China to build a proletarian "rational kingdom." Any such illusion were smashed by merciless historical facts, and herein lies Chen Duxiu's tragedy. Why is it that the author of "On the Phenomenon" still holds him up to be waved as a banner? One statement he made very candidly: "Were the logic of May 4th period's historical development completely followed, the main actor in China's history might possibly have been a Napoleon-style强man, and this strongman might have forcibly introduced a democratic state (or even the ways of democratic dictatorship centralization) into China." Such brazen advocacy of bourgeois democracy to take the place of socialist democracy is a substitution of bourgeois dictatorship for the people's democratic dictatorship. Is this a hypothetical historical development logic, or would it be best to forget it? The historical road that had to be taken was as follows: The Chinese revolution had to be a new democracy revolution completed under leadership of the proletariat followed by the entry into a socialist revolutionary stage. There could be no intervening "capitalist stage." Only socialism can save China, and only socialism can develop China. This is an iron law of history. It is something that no one's "rational spirit" can change; it cannot be overthrown.

### III.

Marxism is a scientific world view and methodology. Only dialectic materialism and historical materialism can reveal the objective laws of historical development. Engels wrote the following: "Marx was first to discover the great laws of historical movement. On the basis of these laws, all historical struggles, whether conducted in the political, religious, or philosophical realms, or whether conducted in any other ideological realm, are actually clearly manifested to a greater or lesser extent only in the struggles of all social classes. Furthermore,

the existence of these classes and the conflicts among them are limited by the degree of development of their economies, the nature and methods of their production, as well as the nature and methods of exchange that their production dictates." (Complete Works of Marx and Engels, Vol 21, p 201). This is the principle of historical materialism that we must follow in correctly analysing and understanding the Chinese revolution. However, the author of "On the Phenomenon" openly appears Marxist and Mao Zedong Thought. He borrows the two points of view of modern psychology and comparative civilisations, Freud's "Oedipus Complex," in particular, to study Mao Zedong and the Chinese revolution. He regards historical events purely as psychological and cultural phenomena. He uses the absurd language of historical idealism in the fabrication of a large article on the history of China's modern revolution.

First, he employs abstract, isolated, and static psycho-analysis methods to look at historical figures, which distorts the image of Comrade Mao Zedong. Early on in the article, he mentions a story of how during his youth Mao Zedong clashed with his father, then using an extremely assertive tone, he says: "The source of Mao Zedong's whole life may be found in this story." "Virtually all the revolutionary struggles in which Mao Zedong took part were a constant re-enactment of that conflict." Why? His sole "theoretical base" is Freud's "Oedipus Complex." He states categorically that a "tyrannical father shapes his son's personality through tactile physical stimulation, thereby implanting the psychological factors of tyranny in the son's mind." This tyrannical psychological factor is the "father-hated complex." The "father-hated complex" is expressed in the "peasant uprising-style rebellion" as an "effort to overthrow and negate the father." At the same time, there is also a constant "father envy," and "father admiration" expressed in the form of "subconscious strong admiration" and a "regal instinct" toward feudal emperors. The "father-hated complex" is inevitably balanced by a "mother-love complex." The "mother-love complex" is expressed in "nostalgia for and protection of" feudal despotism. In short, both hatred of the father and love for the mother are expressed in a concentrated way in the emperor image. According to the original intent of Freud's psychoanalysts, the two are totally unrelated, but by tugging and hauling on the original intention, and by making reckless comparisons, the author vilifies the great leader whose memory the Chinese people will forever cherish, making him a Qin Shihuang-style feudal emperor.

Such an extremely subjective and idealistic analytical method regards people as isolated, self-contained entities. It regards individual events as the ultimate cause of a person's entire thinking and behavior, invariably distorting a person's character and his or her real activities in society. Everyone is well aware that Marx said: "A person's innate character is by no means an abstraction inherent in an individual. In terms of its real nature, it is the sum of all social relationships." (Selected Works of

Mao and Engels, Vol 1, p 18). In evaluating Comrade Mao Zedong's rights and wrongs, achievements and mistakes, one must place him in his historical context, making a complete and objective analysis of his life-long revolutionary practice and all his writings. This is the only way in which to arrive at a scientific conclusion based on facts. Throughout his life, Comrade Mao Zedong was a great proletarian revolutionary. The mistakes he made in his declining years were not created by any "father-hated complex" or "retaliation," but rather had profound historical and ideological roots. Because the author's subjective understanding is divorced from objective reality, he arrives at incorrect conclusions. Certainly we do not object to a psychological and cultural analysis of historical figures, but such analyses must be in accordance with the principle that "the society that exists determines social consciousness." It is built on certain socio-economic and political circumstances. If like the author of "On the Phenomenon," it employs tactile stimulation to determine a person's personality and social behavior, and regards people as "individuals" who are above history and above reality, not only is it impossible to see Mao Zedong's great historical achievements, but it is also impossible to make an objective analysis of his mistakes. Everything else aside, from the lofty revolutionary sentiments expressed during his youth in the words, "Set your eyes on the whole country, encourage writing, and despise the countless nobles of the past," to his disdain and criticism of the emperors Qin Shihuang, Han Wudi, Tang Taizong and Song Taizu; from his ardent prayer for the Human peasant movement's attack against feudal landlord and gentry forces to his great appeal issued when the entire country was about to be liberated of, "With power to spare, we must pursue the torturing foe, we cannot seek fame like dragoons, all those Mao Zedong's life-long comprising revolutionary spirit of opposition to feudalism. Except for those who make subjective conjectures and vice matters in a biased way, how can anyone see any Chinese style regal instincts?"

Second is his use of the mental acrobatics of an individual to explain historical processes, negating the historical inevitability of the Chinese revolution. Engels said, "History develops in the same way as nature develops; it has its own inherent laws" (Complete Works of Marx and Engels, Vol 1, p 261). China's revolution most certainly did not begin and develop as a result of the subjective will of any individual, nor was it controlled by five reasons, but rather was an outgrowth of the nature and basic contradictions of contemporary Chinese society. Old China was a semi-feudal, semi-colonial country in which the contradictions between the masses of the people and imperialism and feudalism were the basic contradictions in society. This determined that the Chinese revolution would inevitably be a national democratic revolution against imperialism and feudalism carried out by the broad masses of people, and it had to be led by the proletariat through their political party. Only in this way could victory be won in the revolution and the broad masses of the people be able to stand up

and be liberated. However, the author of "On the Phenomenon" maintains that sometimes in history a period such as the following occurs: "The entire chance nature of history is controlled by a certain historical figure." He terms the great revolution in which hundreds of millions of Chinese took part his revolution, meaning that it was an externalization and derivative of Mao Zedong's individual mental activity. He regarded the entire historical process as a "person's self-alienation process," which Marx and Engels criticized (Complete Works of Marx and Engels, Vol 1, p 77). The authors logic is as follows: Classes with the father damage the son's self-respect, and when self-respect is damaged, a sense of inferiority may result. Self-respect changed into inferiority feelings through about this "spring back" in a terrible way. This may make the son hate every father image. Later in life, while working in the Beijing Library, Mao Zedong "was frequently disappointed at a foreign professor." His self-respect was tested once again. This made him hate the individualistic culture of the Occident, and to detest all learned intellectuals. Ultimately, this took the political form of "revenge" and "reprisal." The Communist Party-led revolutionary struggle against imperialism and against feudalism was actually a manifestation of the steady "washing away" of Mao Zedong's personally revered self-respect, and his psychology of inferiority. Thus, a thoroughly anti-imperialist and anti-feudal revolutionary history is turned into a "history of the replacement of a feudal dynasty." Such an idealistic covering method of looking around with history, might even leave the creator of the "Oedipus Complex," apoplectic and tongue-tied.

Furthermore, to proceed from the bourgeois theory of the nature of man is to slander Comrade Mao Zedong's standpoint on class struggle and the mass line, and to denigrate the historical role of the broad masses of people. Class standpoint is the basic standpoint in historical materialism. Both Marx and Engels noted that "up to the present time, the history of all society has been a history of class struggle" (Complete Works of Marx and Engels, Vol 1, p 230). Comrade Mao Zedong made a concrete and clear-cut exposition of this standpoint as follows: "Class struggle is which some classes are victorious and some classes are wiped out in history. This has been the history of civilization for several thousand years. Use of this standpoint to explain history is termed historical materialism, and the opposite of this standpoint is historical idealism" (Selected Works of Mao Zedong, Revised Edition, p 1-176). The fundamental reality of class distinctions are not subjectively determined, but are determined by definite social production methods and the economic structure. Only when class struggle is used as the basic guiding thread can the objective laws of historical development be revealed, and who are our enemies and who are our friends be correctly understood, thereby enabling a determination of who can be relied upon in the revolutionary struggle, who should be united, and who should be attacked to inaugurate and organize the broad masses of people and to unite all forces that can be united to win victory in revolution. As

regards Comrade Mao Zedong's advocacy in his declining years of "take class struggle as the key link," in which he committed the mistake of enlarging class struggle, the problem lay not in class struggle doctrine per se, but rather that he made a mistaken assessment of classes and class struggle in socialist society. However, the author of "On the Phenomenon," regards "people" as abstract and isolated entities. He denies the objective reality of differentiating people into classes. As a result, he revises the scientific thesis of Comrade Mao Zedong into "Chinese history is a succession of dynasties in which some people were victorious and some people were wiped out." He falsely states that it "resembles Marxism in essence, but is a feudalistic secret society analysis." Since he basically discredits the method of Marxist class analysis, in his hands even of China's modern revolutionary history is turned into a confused mush-mash.

Yet another way in which the writer of "On the Phenomenon" opposes historical materialism is to deny the historical role of the broad masses. He is particularly adept at doing all possible to vilify the Chinese people. Marxists holds that the masses are the masters of history, they are the true creators of history. Chairman Mao Zedong's viewpoint on believing in and relying on the masses, and forging close links with the masses is a dynamic embodiment of the Marxist view of history. China's modern revolutionary history shows that the masses brought into play enormous historical dynamism and creativity in the revolutionary process. By no means were they a simple-minded flock of sheep manipulated by anyone. However, the author of "On the Phenomenon" attacks Mao Zedong's mass standpoint and his mass line as "feudal secret societyism" of "forming and consorting with cabals." The Chinese in their hundreds of millions are simply superstitious, leader-worshippers who are "like puppets that uniformly became external forms of Mao Zedong." "The group dementias of the Chinese people make them deserve to have and only they do have Mao Zedong." This is both a negation of historical materialism and a vilification of Mao Zedong and the Chinese people. Are the Chinese people really as "ugly" as this? It goes without saying that during the democratic revolution and the building of socialism, the broad masses of the people as the masters of history exhibited enormous revolutionary zeal and creativity. Even during the "10 years" of turmoil, they did not sit apathetically and passively without taking action. They are truly "China's backbone." It was only with the correct leadership of the Party and by relying on the strength of the masses that we were able to bring to an end the historical tragedy of the "Great Cultural Revolution," which demonstrated once again the historical role of the masses. What would the result be were the writer, an "elated" who boasts that he is above the mass of the people, to find again a "human starting point" for redefining the cultural and psychological make-up of the Chinese to put into practice a western humanistic "enlightenment"? The broad masses of the people would supply a strong reply through real actions. They would

unswervingly take the socialist road to make the building of the socialist motherland even better.

To summarize the foregoing, the author of "On the Phenomenon" has simply not researched and explored any "academic topic." Instead, under the guise of research, he has completely repudiated Comrade Mao Zedong, attacked Mao Zedong Thought, vilified the Chinese people, blemished the Chinese revolution, and unscrupulously preached bourgeois liberalization. Can we turn a blind eye and remain indifferent to this? Certainly not! The four basic principles are the foundation on which the country is built. Opposition to bourgeois liberalization is a long-term task. We must diligently study and master the basic principles of Marxism, use the Marxist standpoint, point of view, and methods to study history and present day problems, carry forward education and struggle against bourgeois liberalization, thoroughly critique this article's reactionary point of view and its theoretical foundation, clarify political, ideological, and theoretical right and wrong that bourgeois liberalization has thrown into confusion, maintain confidence in the inevitable victory of socialism, and fulfill the daunting yet great mission that history has bestowed upon us.

#### **Ideological Work Goals in Higher Education**

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(Article by Yang Xinheng (2799 2450 3932), "Work Vigorously To Strengthen and Improve Ideological and Political Work in Higher Education")

(Text) It is stated in the "Suggestions Regarding the Formulation of the 10-Year Plan on National Economic and Social Development and the Eighth Five-Year Plan," which was written by the Central Committee of the Communist Party of China, that, in order to develop socialist education, we must further rectify the guiding philosophy of education, give top priority to adherence to the correct political orientation, comprehensively elevate the ideological and political level of the educators as well as the educated, and make it the fundamental task of education to develop ethics, morality, and physical fitness. In order to carry forward with this spirit, it is necessary that we increase awareness of the importance and necessity of strengthening and improving ideological and political work in higher education. We must sum up historical experience and clarify our future tasks in order to vigorously strengthen and improve ideological and political work and conscientiously adhere to the socialist orientation of education.

I

It has already been two years since the political upheaval during the spring and summer of 1989. In the past two years, under the correct leadership of the Central Committee, which takes Comrade Jiang Zemin as the core, our party has earnestly summed up experience and

learned from it, adhered to what was correct, improved what was flawed, and corrected what was mistaken, thereby achieving progress in all areas of work. The program of improvement and rectification and efforts to deepen reform have yielded clear success. Inflation has been brought under control, practices within the party and throughout society have gradually improved, we have gradually broken through sanctions imposed by Western nations, and China's international prestige is gradually rising. Our nation's economy, politics, and society are stable. A turning point has been reached in ideological and political work in higher education. This is demonstrated primarily by the fact that the position and role of ideological and political work are once again recognized, and the tendency to play down and weaken this work has changed; political work teams have been built up, political education has had clear results, the situation in higher education is basically stable, and order on campuses is relatively normal. The prevailing atmosphere on campuses has become much better than it was before the tumult. The ideological situation among university students in particular is developing in a good direction, and everywhere they are pulling out of their sulky mood. A study of several institutions of higher education in Anhui indicates that the mood of university students has gone from wild antagonism to a steady calm, the attitude has gone from sulky to forward-looking, and their ideological understanding has gone from extreme and narrow viewpoints to objectivity. The overwhelming majority of students have put the shadow of the rusting from the year before last behind them, and they have entered into a normal mode of studying and living. In particular, the students' political enthusiasm has rebounded. They care about the future of the party and the state, and many students have actively come to place great importance upon the study of Marxism and Mao Zedong Thought. Many university students have spontaneously set up "Marxist theory study groups," "party constitution study groups," and the like. Students are aggressively seeking to make progress, and the number of students who took the initiative to approach Party organizations has gone up. All of these things show that, since the Fourth Plenary Session of the 13th Central Committee, a turning point has been reached in ideological and political work in higher education. This turning point has made an important contribution to nationwide stability, and it has laid a solid foundation for ideological and political work in higher education. However, we must also be aware that this change only represents a turning point, and we must not rejoice excessively. This is because, from the overall perspective of ideological and political work in higher education, we have not completely emerged from the sulky mood into which we had fallen a few years ago. The underlying ideological problems of some students have not been fundamentally resolved. There is some question as to whether university students are resolutely adhering to socialism today. Students are confused about the question of what path China should take, and this has been clearly reflected in the past several student movements. There is a "22-word confusion" among some students

over the socialist path. These 22 words are "Right or wrong, early or late, is it or isn't it, good or not, how to practice it, and where to go." In other words, is it right for China to adopt socialism? Has China adopted socialism too early? Is it or isn't it socialism that has been constructed in China? Is socialism good or not? Just how is socialism to be practiced? And where is socialism going? This indicates that the ideological situation among university students is still relatively complex. Their ideological problems touch upon understanding as well as concepts. There are leftover problems from the past, and there are new problems which have arisen under new circumstances. If these underlying problems are not resolved, a whole other series of problems will inevitably surface in one form or another, affecting efforts to consolidate gains made in ideological and political work, and affecting the peaceful and unified political situation. For this reason, the need to use Marxism and Mao Zedong Thought to arm the young students, and to combine theory with practice in order to fundamentally resolve the underlying ideological problems of the students is an urgent task facing ideological and political workers in higher education.

The political turbulence of 1989 was spawned by the larger international situation as well as by domestic undercurrents. In terms of the international situation, ideological and political work in higher education in the 1990's is still faced with serious challenges, mainly the fact that the imperialist strategy of "peaceful evolution" has not changed one iota, but is in fact being pursued with even greater vigor. The strategy of peaceful evolution has been around for several decades. In the 1950's, John Foster Dulles first proposed this strategy, placing hopes for its success upon China's third and fourth generations. In the 1980's, a report from the U.S. State Department stated that China's younger generation could be weaned away from socialism in two ways, one being Western democratic liberal thought and the other being sexual liberation. Some major luminaries in Western bourgeois political circles have made noise about "converting Marxism to the rubbish bin of history" and some have predicted that, by 1999, capitalism will have defeated socialism without going to war, publicly proclaiming that, "we live in an age which has allowed us to witness the end of an ideology, and the termination of the chapter in history known as communism." In order to achieve their strategic objectives, they have been on an all-out offensive against socialist countries for several decades. In 1989, peaceful evolution launched a great assault upon the forces opposing peaceful evolution, and the result was drastic change in Eastern Europe and instability in the Soviet Union, but they suffered a great setback in China. However, they have not and will never accept defeat in China. They will shift the focus of peaceful evolution to China. The next 10 years will be a key decade. Some people say it will bring the final decisive battle between socialism and capitalism. The key to whether we will able to plant the socialist flag firmly in the ground and keep it flying until the end depends on whether we can strengthen the

economies, and on whether our political work can forcefully beat back the bourgeois attack and smash their plots for peaceful evolution.

In addition, an unhealthy current of democratic socialism has appeared in the international communist movement. Back in the student movement of 1989, some students blindly expressed admiration for Western "democracy, freedom, and human rights." Particularly in the political turmoil of 1989, some people who were pressing the cause of bourgeois liberalization expressed unprecedented wild enthusiasm for "democratic socialism," proving that the theoretical basis of the turmoil was quite complex. The international communist movement at this point is in a lull. Democratic socialism is at high tide, and the way it is carrying the flag of socialism is extremely deceptive. Some people say that the student movements of the 1980's were inspired by bourgeois democratic thought, and that the student movements of the 1990's may be inspired by democratic socialist thought. There is some truth to these statements, but we have not yet become sufficiently aware of the harmfulness of this way of thinking. We have underestimated it, and our preparation in terms of theoretical criticism and critical theory has been insufficient. If we do not attain a clear understanding of this problem and fail to step up our theoretical research as well as our political and ideological work, we could commit the same error that we did a few years back when we ignored bourgeois liberalization, and we would end up paying a great price. For this reason, in the coming considerably long historical period, ideological and political work in higher education will have to oppose and prevent incursions by the peaceful evolution being pushed by the bourgeois class. It must also combat and eliminate the influence of democratic socialist thought. These two aspects are interconnected, and if either one is ignored, the situation in higher education cannot be stabilized and the nation cannot be ruled in peace.

In terms of the domestic situation, although the Central Committee has taken a series of important measures in the areas of politics, economy, culture, and education since the Fourth Plenary Session of the 13th Central Committee, and the situation has improved greatly, there are still many factors that could lead to changes in student ideology which require our attention. 1) We are still in the preliminary stage of socialism. In the economic sphere, many different forms of ownership, exchange, and distribution exist. This inevitably influences people's values, morality, and ideological awareness. It is an objective fact that changes in the economic sphere affect the ideological sphere, and this fact cannot be overlooked. 2) Reform and opening up have promoted comprehensive social and economic development in China, but we cannot ignore the fact that, at the same time that we borrow advanced Western science, technology, and management techniques, decadent bourgeois thought and lifestyles, thought running counter to traditional culture, egotistic individualism, and democratic socialist thought will also continually seep into

China corrupting our youth and undermining our ideological and political work. We cannot underestimate the impact of this phenomenon. 3) With regard to the construction of a spiritual civilization, there are still some unsatisfactory areas, such as the continuing existence of corruption. Although the Central Committee has adopted some important measures since the Fourth Plenary Session of the 13th Central Committee and achieved some significant successes, it will still be relatively difficult to root out corruption in the near future. If this situation does not undergo fundamental change, it will be difficult to consolidate gains made in ideological and political work. 4) As reforms continually deepen, and as various reform measures are implemented, interest relationships between people will inevitably be readjusted, giving rise to new social conflicts and ideological problems. 5) Many problems still exist in economic life. State fiscal resources will continue to be in short supply for the near future, and construction funds will be scarce. These factors determine our ability to carry out education. In the near future, it will be impossible to achieve fundamental improvement because various problems springing from the conditions of education will continue to exist for a long time. Under these circumstances, there are many factors working against those of us involved in ideological and political work in higher education, both in terms of external conditions as well as internal mechanisms. We must be on guard against external attempts to undermine our work even as we study and resolve domestic problems. We must consolidate the gains we have made at the same time that we deal with future challenges. This task is a very difficult one. If we approach our work with complacency, fail to improve our ideological understanding, forget about the lessons of Eastern Europe, forget about our political turmoil of 1989, and become blindly optimistic about the turning point which has only just presented itself, our work in the schools could become sidetracked. This would lead us to focus on the ideological battlefield.

## II

If we are to strengthen ideological and political work in higher education, not only must we accurately appraise the situation and duties facing us, we must also earnestly sum up our historical experience in ideological and political work, and, in particular, we must learn from the work we have done since the beginning of reform and opening up. Only in this manner will we be able in our work to avoid detours, reduce mistakes, and strengthen the targeted nature, effectiveness, and combative nature of our work, thereby achieving our goal of improving and strengthening ideological and political work.

In the 1980's, under the leadership of the Central Committee, of which Comrade Deng Xiaoping was the core, our party formulated and implemented a fundamental line and a series of programs and policies appropriate for socialism in the preliminary stage. The Central Committee created the program of socialist modernization as well as that of reform and opening up, achieved the first

stage of its strategic objectives, achieved successes that drew worldwide attention, accumulated rich experience, and laid a solid foundation for the achievement of greater victories in the next 10 years. In terms of ideological and political work, the guiding philosophy of the past 10 years has been correct, and it has been manifested in the decisions adopted in the Third Plenary Session of the 11th Central Committee, the 12th party congress, the 13th party congress, and other important meetings, as well as in various speeches by Comrade Deng Xiaoping. Comrade Deng Xiaoping handed down many important instructions regarding ideological and political work. In the national Education Work Conference of 1988, he said, "It is beyond question that schools should forever give top priority to the effort to unify adherence to the correct political orientation." From the ideological heights of his calls for the building of a socialism with Chinese characteristics, he repeatedly warned the entire party that it must pay close attention to strengthening ideological and political work. He said, "We hope that our comrades engaged in education, all responsible comrades, and every household throughout society will be concerned with the ideological progress of our youth." He quoted Comrade Mao Zedong Thought, saying, "Every department must be responsible for ideological and political work. This applies to the Communist Party, the Communist Youth League, government departments, and university presidents and professors." At the same time, from the ideological heights of his call for a strengthening and improvement of the party's leadership, he emphasized that we must emphasize and strengthen ideological and political work, and he argued that ideological and political work should be made an important part of the work of party committees. He said, "Besides controlling programs and policies and deciding upon the use of important cadres, the party and leadership organs should also use most of their time and energy for ideological and political work, and for working with the masses. If for a while we cannot completely achieve this, we must at least accord a position of great importance to ideological and political work." These instructions of his were in line with Marxism-Leninism and Mao Zedong Thought, and they were also in line with the actual conditions of ideological and political work in schools since beginning of reform and opening up.

However, the party continually held back from carrying through with such suggestions because some responsible comrades in the Central Committee at that time had an ambiguous attitude toward efforts to oppose bourgeois liberalization. In particular, Comrade Zhao Ziyang attached little importance to the significant role of ideological and political work in the construction of the two spiritual civilizations, putting forward the "theory that decadence is inevitable," the "theory of reducing the role of the party committee," and the "theory of reforming ideological and political work." This prevented vigorous implementation of some correct ideas of Comrade Deng Xiaoping as well as some important decisions by the Central Committee regarding strengthening of ideological and political work. The biggest

mistakes of the past 10 years in ideological and political work were committed under these circumstances, and work in higher education for a time departed from the socialist orientation. This was demonstrated primarily in the following ways:

First, people demonstrated a lack of the concept of class analysis in their understanding of the times, and in their guiding philosophy they stressed only opposition to leftism, while ignoring rightism.

The "Resolution Regarding Several Historical Questions Since the Founding of the Republic," which was passed by the Sixth Plenary Session of the 11th Central Committee, clearly stated, "Since the extinction of the exploiting class as a class, class struggle has not been the primary conflict, but, due to the influence of domestic and international factors, class struggle will continue to exist for a long time within a certain scope, and, under certain conditions, could even intensify." Practice has proven that this statement is completely correct and is in line with the reality of class struggle in China at this time. However, some comrades have not completely understood this scientific statement. They have had a relatively deep understanding of the fact that class struggle is no longer the primary conflict in society, and they have consciously guarded against leftist tendencies. However, their understanding of the fact that class struggle will continue to exist for a long time and could intensify has been relatively shallow, and they have consciously or unconsciously weakened or even abandoned their concept of class struggle. This is to say nothing of some proponents of bourgeois liberalization, who pulled out all the stops in negating the class nature of education. They took advantage of the situation to disseminate bourgeois academic concepts and values, and to seduce and corrupt young students and teachers in universities, and some comrades were afraid to challenge them because they worried that people would consider them "more in old ways of thinking" or "conservative." Some even pretended to be unaware of the articles, speeches, and behavior of key proponents of bourgeois liberalization, and there were even those who gave the green light by praising such people. In particular, they did not attach enough importance to or do enough to resolve certain problems which had long before surfaced among young students. Too late they turned their attention to this problem. The ideology of students declined precipitously, bourgeois liberalization became rampant to the point of disaster, and finally the turmoil of 1989 broke out. The nature of that turmoil, as Comrade Deng Xiaoping pointed out, "was a confrontation between bourgeois liberalization and the four basic principles." The confrontation was a manifestation of intensified class struggle. This showed us in a negative way that if our concept of class struggle is weakened, if we let down our guard against peaceful evolution, and if the cognitive nature ideological and political work is weakened, it will inevitably lead to serious consequences.

Second, the position and role of ideological and political work in higher education was weakened.

Everyone knows that ideological and political work is one of the great advantages of our party. From the day of its birth, the party has relied on thorough ideological and political work to propagate and organize the masses, get them to accept the truth of Marxism-Leninism and Mao Zedong Thought, and get them to actively participate in the extremely difficult work of revolutionary struggle. Throughout the long course of revolutionary struggle and socialist reconstruction, ideological and political work has played an enormous role, and it has accumulated a complete body of valuable experience. After liberation, our institutions of higher learning resolutely developed their ideological and political work, enabling ideological and political education to always remain in a position of importance, and they took this work as an important indication of the difference between socialist education and capitalist education. Even though leftist errors were committed during the Cultural Revolution, in a fundamental sense, resolute development of ideological and political work played an important role in enabling adherence to the socialist orientation of education. In the past few years, some proponents of bourgeois liberalization denied the excellent tradition of our party's ideological and political work, calling it a product of leftism, saying that it is used to stab people in the back and that it is useless. They called for the termination of this work, saying that it is a failure and outmoded. They called for a weakening and a reform of ideological and political work. Comrade Zhao Ziyang felt that ideological and political work was an old model, an old habit, an old concept, and an old method, and that it was in need of a complete overhaul. This type of idea was in reality a call for the elimination of ideological and political work. Under these circumstances, some comrades involved in ideological and political work either consciously or unconsciously lowered the status of ideological and political work to one of subordination, and reduced its role to one of emergency response. This work was not accorded the proper degree of importance in the schools, with the result that we gave up our battle position. Ideology was thrown into confusion, and the troops scattered. Ideological and political education declined precipitously.

Third, an accurate assessment of the students was lacking, and ideological work in the media did not play the intended role of guidance.

There have been two tendencies in the assessment of university students over the past 10 years. According to one of these tendencies, our youth represent the future, and they are therefore naturally progressive. University students are chosen carefully and are therefore naturally the cream of the crop. The other tendency is to focus on the immature side of students and to conclude that they are a lost generation. Under the influence of the first tendency in the media, many students were not able to arrive at an accurate understanding of themselves. They became self-satisfied, complacent, and conceited. They found endless fault with other people and with society, yet lacked the ability to analyze themselves according to

the principle of "one splits into two." This increased the objective difficulty of ideological and political work. Some comrades engaged in ideological and political work put excessive faith in the reasoning power of students, and put excessive emphasis on their self-education, while abandoning the necessary灌输 (propaganda). They failed to educate and guide students in some fundamental matters of principle, and even let aside certain necessary mount oversight work, resulting in an external environment without rules or restraints in which bad habits formed among students. This is what Mr. Lu Xun was referring to when he spoke of "killing with flattery." As for the other type of tendency, some comrades lost their faith in ideological education, and, in the face of complex reality, they exhibited an attitude of hopelessness. Although these two attitudes were in direct opposition to each other, their effect on ideological and political work was the same: it became divorced from student ideology and lacked a targeted and scientific nature. If it wasn't the sound of prance going to students' heads, it was the sound of criticism turning students against ideological and political work.

Fourth, in terms of content and methodology, we have placed more emphasis on innovation and less on inheritance in our ideological and political work.

In the 1980's, within the context of the reforms, we have made many efforts in the area of innovation in our ideological and political work, overcome some leftist methods of operation, and achieved several clear successes. However, we have not handled the relationship between "elimination" and "establishment" and between "reform" and "inheritance" in a completely satisfactory manner. Particularly in the first few years of reform, we always paid too much attention to eliminating things and not enough to establishing anything new, and to innovation instead of inheritance. Some traditional work and methods of operation which had been proven effective through practice were negated, while the "new mechanism of ideological and political work" that some people mentioned was not established very well. Even those principles and methods mentioned by some people under the banner of reform tended to pay more attention to things that were purely informational or interesting, and less to things involved with politics or ideology, more to the application of knowledge and less to guidance, more to harmony and tolerance and less to strict requirements, more to the initiative of students and less to the guidance of instructors. In particular, there was a time when we only paid attention to theoretical education in the classroom while seriously neglecting education through social practice, preventing the formation of an effective method for ideological and political work, which in some aspects even seriously departed from our party's excellent tradition of ideological and political work. This put some comrades on the front lines at a loss for what to do, and made them feel like they were between a rock and a hard place.

Fifth, comprehensive establishment of ethics education in the schools was ignored, therefore, political and ideological work could not become synergistic.

Because of the influence of the international and domestic situations, plus the weakening of ideological and political work, various student movements began to appear in the mid-1980's. Afterwards, ideological and political work was strengthened, but no clear success was achieved. There were three main reasons for this: 1) Ethics education was not accorded the position of importance it deserved. For intellectual education, there were clear objectives, a rigorous and scientific content and system, and strict rules. Furthermore, the fate of every student was connected to tests and assessments, but ethics education was not organically integrated into the overall educational system. For this reason, ethics education had no clear objectives or systematic content. It was uncertain, and the manner of its implementation was uncertain and lacked standards. The result was that ethics education was not accorded the position of importance it deserved. 2) The ideological education of instructors was neglected. In comparison with the students, an even weaker job was done on ideological and political education of instructors. Instructors who were in a position of guidance lacked an awareness of ethics. Many of them cared only about academic instruction and cared little for developing people, for which reason it was hard to achieve the objectives of ethics education. 3) The troops of political workers were battling without support. Because the appropriate degree of importance was not accorded ethics education, instructors did not pay much attention to the need to develop students as human beings, so ethics education became a task for a small minority of people. It was not seen by schools as the common task of all departments and instructors. The result was that the departments directly responsible for the ideological and political education of students were fighting the battle on their own. For this reason, ideological and political work in higher education lacked synergy; ideological and political work proceeded at a low level, and it failed to achieve ideal results in resolving the ideological problems of students.

The errors which have been committed in ideological and political work in higher education in recent years have a variety of causes, and they have manifested themselves in a variety of ways. As we sum up and contemplate these problems, we should also realize that, during the past 10 years, much has been done in ideological and political work in higher education to bring order out of chaos and to effect reform and innovation. We have accumulated much positive experience, and done a lot of theoretical research. These are creations of the masses, and many of them are in accordance with the development of the times as well as the actual situation of ideology among students, so these things should be fully affirmed. We cannot totally negate the achievements of the past 10 years in ideological and political work in higher education because of the political turmoil of the year before last, and we cannot lay all the blame

for the turmoil and the errors which have been committed upon our ideological and political work. Only in this way can we avoid severing ourselves from the history of ideological and political work. Only this course of action will facilitate efforts to bring into play the enthusiasm, initiative, and creativity of ideological and political workers, thereby improving the quality of ideological and political work in higher education so that it will meet the needs imposed by our new circumstances and make new contributions to the effort to cultivate qualified personnel.

### III

At the Fourth Plenary Session of the 13th Central Committee, higher education has earnestly implemented the spirit of the Fourth, Fifth, Sixth, and Seventh Plenary Sessions. It has summed up and learned lessons from ideological and political work of the past few years, corrected mistaken messages which had once circulated, and reestablished correct theoretical viewpoints regarding some fundamental education questions. An important turning point has been reached in ideological and political work, but if we are to further adapt to the new situation, new requirements, and new challenges, a great effort is still required of us. In this regard, we feel that importance should be attached to the following five issues:

#### 1. We Must Clarify the Strategic Objectives of Ideological and Political Work in the 1990's

The political turmoil of 1989 made us see clearly that the struggle between peaceful evolution and those opposed to it is focused upon our successors. Higher education is an important battlefield in this struggle, and university students are the objective. The outcome of this struggle will determine the fate of our nation and influence the future of the Communist movement. For this reason, the effort to determine the strategic objectives of ideological and political work in higher education in the 1990's is an important theoretical and practical issue affecting the overall state of our nation. The strategic objective of the imperialism, peaceful evolution, is quite clear. We, for our part, should make it the clear and long-term strategic objective of our work to oppose peaceful evolution. We cannot allow ourselves only to treat the symptoms of the problem, much less can we allow ourselves to always be in a position of reacting to emergencies. The content of this strategic objective should include the following five points: 1) We must clarify that the fundamental objective of higher education is to mold students into successors with a firm socialist faith who will carry on with our construction work, and from among them to create a group of young Marxists who possess the enlightenment of communism. 2) We must build up the leading position of the Community Party of China in the schools as well as the guiding position of Marxism, and turn schools into bastions of opposition against liberalization and peaceful evolution. 3) On the basis of the fundamental

laws of modern education and the trends towards comprehensive ethics education, we must establish an ideological and political education system and network in which basic education dovetails with higher education, in which education in the schools, in homes, and in society is coordinated, and in which ethics education, intellectual education, physical education, aesthetic education, and labor education all interlock. 4) We must formulate and implement an ethics education outline for higher education, and we must serialize the content, standardize the work methods, and systematize the management of ideology and political work. 5) We must, in a planned manner, build up an ideologically sophisticated army of political workers which can withstand the buffeting of any turmoil that should occur. We must truly do a good job in dealing with the selection, cultivation, management, utilization, compensation, and career path of these troops. All of these things are part of an overarching 100-year plan for the strengthening of ideological and political work. Once this type of strategic objective has been determined, we can achieve an organic combination of long-range plans and short-term duties, as well as detailed tasks and the overarching deployment associated with our ideological and political work. In this manner, our work will be coordinated and we will be able, amidst a serpentine and complex struggle, to maintain unshakable control over the overall situation. For the great masses of ideological and political workers, we will also inspire a stronger sense of historical responsibility and bolster their sense of struggle. In the struggle against peaceful evolution, we will forever be in a victorious position.

## **2. We Must Fully Understand the New Characteristics of Class Struggle in the Current Phase in China Within the New International Environment**

In analyzing and summing up the cause-and-effect relationships behind the painful experience of events in Eastern Europe as well as the rioting and rebellion that occurred in some regions in China in 1989, we can see at least four salient characteristics regarding class struggle in socialist countries during the current phase. 1) The core of the struggle is between peaceful evolution and those forces opposed to it. In other words, the question is: Which system will win out in the battle between socialism and capitalism? 2) The scope of the struggle includes the arenas of politics, economics, culture, and social life, but primarily the arena of ideology. 3) The focus of the struggle is to win over young intellectuals, especially young university students. 4) The tactics of the struggle are both straightforward and roundabout, including sanctions, infiltration, corruption, and seduction. Some enemies of Marxism are doing everything in their power to burrow into the Communist Party and undermine our fortress from within. For some time into the future, the question of how to appraise class struggle and how it will manifest itself in higher education is indeed an issue which requires thorough study. One thing is certain, however: Imperialism and hostile domestic and international forces will never let up in their attack upon us as long as our level of economic

development is below that of other nations, and as long as we adhere to socialism. This requires that our comrades involved in ideological and political work must continually improve their theoretical grasp of Marxism, gain a firm understanding of the scientific concept of class, utilize the method of class analysis, closely scrutinize and study the new situation and characteristics of class struggle, comprehend the fundamental laws of contemporary international and domestic class struggle, and gain the initiative in this struggle.

## **3. We Must Truly Give Top Priority to Ethics Education**

In his speech commemorating the 40th anniversary of the founding of the Republic, Comrade Jiang Zemin stated, "Not only must schools at every level and of every type establish a complete system of intellectual instruction, they must also give top priority to ethics education and maintain a resolute and correct political orientation." This statement was made on the basis of an earnest summation of historical experience. It is in line with the fundamental laws of education as well as the realities of higher education. Earnestly implementing the spirit of this statement and truly placing top priority on ethics education is a major element in the effort to ensure the socialist orientation of schools and cultivate a generation of successors to the socialist undertaking.

There are several things we must do to achieve top priority for ethics education. First, we must affirm the independent and guiding position of ethics education within the educational process, and we must fundamentally change the situation which has arisen in actual education work whereby ethics education has come to be viewed as subordinate to intellectual instruction. Second, in the objectives and orientation of our work, we must adhere to the four cardinal principles, adhere to reform and opening up, and adhere to comprehensive ethical, intellectual, and physical development. Third, we must make it the primary duty of instructors to concern themselves with the total personal development of students. We must demand not only that instructors carry out intellectual instruction, but that they also provide proper guidance in terms of ideology, politics, morality and ethics, and methods of inquiry. Furthermore, we must demand that they set an example in their everyday lives. Fourth, we must accord top priority to efforts to build up the ranks of ethics instructors, and give key support to these instructors in terms of training, funding, and utilization. We must take good care of them, and those of high quality should be allowed to retire at a later age. Fifth, we must make political quality the primary consideration in the assessment and selection of cadres at all levels. In choosing cadres for positions of leadership in higher education, we must select those comrades who have a strong grasp of Marxist theory, long practical experience, and the ability to lead the masses of instructors and students in implementing the party line, program, and policies. We must ensure that ethics education leads to results. Sixth, we must make political quality the primary consideration in

recruiting students, handing out job assignments, selecting candidates for study abroad, and assessing job titles. In every aspect of school administration, we must ensure that ethics education is given top priority. Only when everything is in place and working, including the leadership, the ranks, objectives, battle positions, content, management, and policies, can we truly achieve the objectives of ethics education.

#### **4. We Must Educate Students on the Outlook of Life and on Values, and Make This Education the Focus and Foundation of Ideological and Political Education of University Students**

A correct outlook on life and a correct value system are the foundation of a correct political outlook. Establishing a correct outlook on life is the key to resolving current underlying ideological problems among young students, graduate students, and young instructors. Some ideological problems among university students, graduate students, and young instructors exist because there are two issues which have not been resolved. One is the question of adhering to the socialist orientation, and the other is the question of whom to serve. The question of whom to serve is the most fundamental issue in a person's outlook on life and his value system. In his two essays, "The May 4th Movement" and "The Orientation of the Youth Movement," Comrade Mao Zedong repeatedly stressed, "The factor which finally determines whether an intellectual is revolutionary, nonrevolutionary, or counterrevolutionary is whether that person is willing to unite with the workers and peasants, and whether he actually does it." He also spoke about the question of the position of intellectuals, their attitudes, whom they were to serve, and how they were to serve in his *Yanan Talks on Literature and the Arts*. Since liberation, we have cultivated and educated a large number of intellectuals, and we have always done so through study of Marxism-Leninism and Mao Zedong Thought and through participation in social struggle and practice, helping them first of all to establish a correct world view, outlook on life, and value system. Practice has proven that this is the correct path for the development of intellectuals. In recent years, it is precisely these issues which we have overlooked in our cultivation of university students, graduate students, and young instructors. In recent years, under the influence of bourgeois liberalization, a large number of young people have consciously or unconsciously come to adopt a self-centered outlook on life and value system. This outlook on life conflicts with our demands on students to establish a correct political outlook, and it constitutes an underlying hindrance to the effort to establish firm adherence to the socialist political outlook. Because there was no education on the correct outlook on life, even though we carried out education on adherence to the four cardinal principles and opposition to bourgeois liberalization after every student movement in the 1980's, our work achieved no clear success. The socialist political outlook of some students continued to waver. In particular, when intense international and domestic conflict broke out, students vacillated in their ideology. If we are to fundamentally change this situation, we must

continue to strengthen ideological and political education among students, expand the content of this education, and place the focus of this education upon the effort to improve basic individual quality so as to ensure that the political outlook of students will rest upon a solid foundation. If we are to achieve this, we must reverse the situation in which education is divorced from production and labor, divorced from the workers and the peasants, and divorced from social practice. We must vigorously strengthen social practice activities, and make social practice education an important part of our efforts to educate university students in politics and their outlook on life.

#### **5. We Must Adapt to New Circumstances and Establish a New Situation in Ideological and Political Work in Higher Education**

Apart from facing an even less hospitable international situation and an even more difficult task of domestic reform and development, the objects of ideological and political education in the 1990's have changed greatly from the 1980's, and the same goes for the ranks of educators. A large number of only children will enter the universities in the 1990's. Because their environment, ideological outlook, value systems, and behavior differ greatly from those of the young students of the 1980's, the difficulty of ideological and political work will be much greater. If we continue by force of habit to work in the same way we always have, it is very possible we will not meet their needs and it is unlikely that our education will achieve ideal results. For this reason, it is necessary that we pay sufficient attention to the new characteristics of the objects of education in the 1990's and that we explore the new laws of ideological and political education. In this sense, we must vigorously strengthen study of ideological and political education, strive to explore and improve our work methods, and continually improve the targeted nature, scientific nature, and effectiveness of our work. At the same time that we strive to explore new paths for our work, we must attach importance to inheriting and studying the traditional educational methods proven effective by the revolutionary practice of our party in the 1980's. The excellent tradition of ideological and political work, which was negated during the past few years by proponents of bourgeois liberalization, must be resumed. This is an important task of our work. In the next five to 10 years, a large number of older political and industrial cadres with abundant experience and a firm and visible political stance will leave their work positions. The question of how to inherit their experience, including their political stance, their concepts, their methods, and their behavior, is an important issue. If we do not pay sufficient attention to the issue, it will have a very negative impact upon ideological and political work in higher education in the future. Only by vigorously strengthening our work will we be able in future struggles to abandon passivity and take the initiative, switch from emergency response to proactive guidance, switch from a defensive posture to a more active one, and fight as part of a coordinated whole rather than as an isolated army.

As we look forward to the 1990's, challenges and opportunities exist side by side in ideological and political work. We are facing many difficulties, and there are also many opportunities to strengthen our work. First, we have learned many lessons from the positive and negative aspects of ideological and political work in the 1980's. In particular, the entire party and the people of the entire nation have come to a common understanding that the greatest errors of the 1980's were committed in the area of ideological education. This has increased the unanimity of awareness throughout the party that even more importance must be placed upon this work in the 1990's. Second, as a result of the tumult of the 1980's, the quality of the ranks of ideological and political workers has been increased, practical experience has been enriched, and the sense of political responsibility and the awareness of the need for aggressive action has been strengthened. At the same time, since the beginning of the 1990's, China has begun to exhibit political, economic, and social stability, and the central leadership of the party has taken a clear stance in adherence to the four cardinal principles and in opposition to bourgeois liberalization. This has provided an historical turning point and a social environment conducive to the strengthening of ideological and political work in higher education. We have good reason to believe that as long as we firmly grasp advantageous opportunities, correctly analyze our circumstances, and prove adept at summing up our historical experience, we can certainly bring about a new situation in ideological and political work in higher education in the 1990's, thereby fulfilling the great and arduous mission conferred upon us by history.

#### **Journalism Ethics Problems, Solutions Discussed**

91CM04824 Beijing ZHONGGUO JIZHE [THE CHINESE JOURNALIST] in Chinese No 5, 15 May 91 pp 5-6

[Article by Wang Qianghua (3769 1730 5478); "Journalism and Professional Ethics"]

[Text] Professional ethics are a prevalent and long-standing yet still current issue. So-called professions are certain specialized "professional" jobs growing out of the social division of labor and the corresponding "work" duties that people perform in society. They should actually be called "professional work." Ethics are a summation of behavioral principles and norms that are used to distinguish good from evil and right from wrong in order to regulate interpersonal relations through inner confidence and through particular forms such as public opinion and conventions. In short, so-called professional ethics are a summation of the behavioral norms of a particular job for those engaged in a given profession (trade). It is thus obvious that professional ethics have been an issue ever since the social division of labor. All trades and professions have their own professional ethics norms which should be acknowledged and observed conscientiously.

Journalists, who are specially engaged in the news profession, should pay particular attention to the following professional ethics problems:

1. Those growing out of the characteristics of news and the particular profession of journalism per se: People in civilized societies usually have an intense thirst for knowledge, wishing to know about everything, all the way from matters of wit and humor that take place around them to the major events that occur throughout the world and the universe. The news media's timeliness, breadth of coverage, and strength of radiation capability give it the precise characteristics with which to effectively satisfy people's thirst for knowledge. News is also an extremely important part of and a powerful tool in shaping public opinion. News often plays an important and sometimes even a decisive role in a person's evaluation of an event. Lu Dingyi (7120 1333 0001), a member of the CPC Central Advisory Commission, called news the "reporting of recent events." As news is reporting, its selection and pruning of facts, choice of reporting perspective and means, and even its wording and phrasing cannot be divorced from the subjective judgment of its selectors and composers (mainly journalists). People make very high demands on journalists, expecting them to report events objectively and factually. In order to achieve this, in addition to having to strive to learn and master the Marxist stand, viewpoint, and method, journalists must also possess the basic professional ethics of journalism. This means that journalists must exclude all selfish ideas and personal considerations, work honestly, and strive to make the news that they select and cover truthful, comprehensive, objective, and impartial. Only in this way can they be conscientious journalists.

2. Problems growing out of the demands of socialist journalism: In an article entitled "On Several Problems in Party Journalism," Jiang Zemin said that "Under the socialist system, journalism is no longer a private enterprise, but is rather a cause of the party and the people." It is precisely because journalism is a key cause of the party and the people that, on the one hand, it enjoys such high prestige among the masses that many people are accustomed to finding out the truth and distinguishing right from wrong through the media and that, on the other hand, such high hopes are placed on journalists that they are expected to be able to truly become loyal mouthpieces for the party and the people and "engineers of the human spirit." Every journalist should clearly understand that violating professional ethics, commercializing news, or seeking private gain in the course of carrying out his sacred journalistic duty does not simply impugn his personal integrity and stain the reputation of his news agency. The violation of professional ethics often has a direct or indirect impact on the people's views of the party and the people's cause, damages the party's prestige, and jeopardizes the people's cause.

3. New problems of the times: Senior journalists say that professional ethics were certainly not an obvious or glaring problem in liberated areas during the Chinese

communist revolution or the initial days of the founding of the PRC but have become an increasingly glaring problem only in the last 10 or so years along with the development of a commodity economy. The major manifestation of this problem is the commercialization of news and the search for private gain by certain journalists. For instance, newspaper space generally has value (a fixed price), and except for fees for printing advertisements, most space that is used for spreading policy propaganda, disseminating news, providing information on scientific knowledge, and cultural entertainment should be "free." However, space in certain newspapers in some areas has become "of value," selling for a fixed amount of money per page. Such very abnormal money-making transactions not only make people question the authenticity of news but also have a serious impact on journalistic prestige and lead to widespread reader discontent. Moreover, even though newspapers that sell space and engage in "compensated journalism" may benefit temporarily, they are actually "seeking temporary relief regardless of the consequences" and eventually will get what they deserve. Thus, "compensated journalism" should be strictly prohibited, and the responsibility for such cheating should be rigorously investigated and affixed. One news agency even published a "twin edition." That is, it sold a special page of its newspaper as a special advertisement of the county's geographic advantages, resources, and development prospects to a certain county for several thousand yuan so that the county could attract outside money and solicit talented personnel from other parts of the country. Who would have guessed that only a few copies of the newspaper that were printed and sent to this county included the special page, while most of the copies that were sent to other places certainly did not. Consequently, this county wasted a lot of money with no propaganda return, and the paper was investigated and punished as deserved.

4. Advertisements are another currently prevalent journalism ethics problem. As it is important for the news media to print (broadcast) advertisements in order to disseminate information, develop commodity production, satisfy people's material and cultural consumption needs, even to guide consumption and promote production, and to serve as an important source of cash for the news media, a certain amount of space (time) must be set aside for printing (broadcasting) advertisements. The problem is that a few news agencies push advertisements unscrupulously and print them irresponsibly, with undue emphasis on economic efficiency and even on personal sales commissions. The advertisements printed (broadcast) by the news media can be generally classified as follows: 1) Those that are both legal and reasonable. That is, these advertisements conform to the administrative formalities stipulated by the state, and their contents are healthy, useful, or at least not harmful. As such advertisements are beneficial to society, the people, and the news media, they should naturally be published, and the news media should exploit them vigorously. 2) Those that are reasonable but illegal. That is, while their

contents are healthy and useful, they do not conform to stipulations, or formalities have not been completed. The news media should use patient persuasion and take active steps to help advertisers complete formalities as quickly as possible, instead of printing such advertisements hastily. 3) Those that are legal but unreasonable. That is, while formalities may have been completed, the contents are obviously wrong or fraudulent, such as medicine ads for panaceas that cure all illnesses, or the so-called "body heighteners" that defy rudimentary knowledge. The news media should not use the fact that formalities have been completed as an excuse to print such ads but should refuse to print them out of a sense of responsibility to the people. 4) Those that are neither legal or reasonable. Such ads should absolutely not be allowed to be printed. Those who deliberately solicit or publish such "shady" ads, which have serious consequences, must be made to accept both the moral and legal responsibility for them according to the severity of the case because they violate not just journalistic ethics, but also the state's administrative laws and regulations.

5. The unhealthy tendencies of reporters when conducting interviews is another glaring journalism ethics problem. While most reporters act well by preserving the people's fine journalistic traditions, and have moral integrity, it must also be acknowledged that phenomena, such as taking advantage of interviews to accept invitations to dinner or gifts (as bribes) and even going so far as to openly or surreptitiously demand presents from those interviewed, occur frequently and are even increasing in some news agencies. As the saying goes, those who take from others are open to persuasion. When reporters take money or gifts from those they interview, it is hard for them to be impartial. They will either use their gifted pens to sing the praises of people or events that do not deserve it, or be sparing in their criticism and conceal the facts about people or events that should be openly criticized, thus being unable to play a militant role in news media supervision. While such phenomena are still not very prevalent, as they have a very adverse impact, they should arouse social concern. Conscientious steps should be taken to curb them.

What are the correct solutions to our journalism ethics problems?

Professional ethics, like class morality and social ethics, is a social ideology that, in the final analysis, is determined by the condition of social material production and restricted by the level of economic development. In comparison to other social ideologies, ethics are more stable because they are more deeply rooted in people's psychology, are closely tied to people's beliefs and emotions, and have evolved into mass traditions and prevailing social customs. Therefore, the professional psychology and customs of professional ethics are even harder to change quickly because they are intertwined with people's professional activities and closely linked to professional demands and livelihoods. Because China's economy is still not very highly developed, many of our news agencies are suffering from economic difficulties,

and we are in the process of developing a socialist commodity economy, many of our journalism ethics problems are often mixed up with the striving for economic efficiency of our news agencies. This requires a detailed analysis. While we must firmly curb actions that are generally considered to be clear violations of journalism ethics, such as the unhealthy tendency of acting out of one's own personal interests and violations of national laws, regulations, and policy stipulations, we must further study, distinguish, and deal in detail with certain new problems that have arisen due to unclear policy limits or system imperfections.

Some solutions to our journalism ethics problems are as follows:

1. We must rely on ideological indoctrination. We must bring our vast numbers of journalists to a better understanding of socialist journalism, and firmly establish in them the sense of historical responsibility and glory that is involved in being loyal mouthpieces for the party and the people and "engineers of the human spirit." We must adhere to the journalistic principle of party spirit and the principle that social benefits are the highest standard, conscientiously resist all forms of wrong thinking and unhealthy tendencies that come from all parties, and strictly observe the proper and particular demands of journalism ethics.

2. Indoctrination is not all-powerful. In all occupations, professional ethics particularly reflect and complement social morality and ethical norms in professional activities. Old ethical norms cannot be changed all at once, nor can new ones evolve and develop spontaneously. Journalism ethics are no exception. In order to effectively indoctrinate journalists in the particular demands of journalism ethics, we must turn the ethical principles derived from the practice of journalism into standardized documents, such as "ethical norms for journalists" and "rules for reporting." In order to solve journalism ethics problems, it will be particularly necessary to make the clauses in such documents both brief and easy to remember and easy to apply and follow.

3. Many news agencies have already begun to draw up their own "norms" and "rules." Existing standardized documents should be observed fully and enforced conscientiously. As opposed to legal standards that can be enforced by the state, ethical norms rely mostly on the force of public opinion and are maintained through people's beliefs, customs, and indoctrination. Thus, we must conduct widespread propaganda about the standardized documents on journalism ethics, mobilize public opinion by commanding news agencies and journalists who conscientiously observe journalism ethics, and denounce behavior that is in violation of the documents on journalism ethics. We must strictly investigate to affix responsibility and to take necessary disciplinary measures against the few journalists who deliberately break the rules in serious violation of journalism ethics.

(their behavior is usually also in violation of administrative laws, regulations, and discipline) in order to preserve the prestige of journalists and make socialist journalism more sound and vital.

#### Commentary on Journalistic Ethics

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[Commentary by Wang Furu (8769 4395 1172), member of the Fourth Executive Committee of the All-China Journalists' Association]

[Text] The Code of Ethics for Chinese Journalists approved by the Ninth Council of the All-China Journalists' Association has been announced. This contains the standards required for the ethical training of journalists engaged in the pursuit of their profession. This code is important for building up the ranks of journalism workers, for improving the ideological and moral fiber of working journalists, and for promoting journalistic efforts to better serve the construction of a socialism that is characteristically Chinese.

The Code is a broad standard for journalistic ethics that covers eight areas of conduct, but a central theme runs throughout. That is, to serve the people. Only when we grasp this central point can we understand the true spirit of the code and be better able to observe it.

In the first place, to serve the people is the starting point for crafting the code of journalistic ethics. Why is it necessary to set up a professional code of ethics for journalists? Some colleagues will say it is to correct an unhealthy tendency prevailing in the journalism profession. To do this is quite proper, though generally speaking, our journalistic ranks are in good shape, with most workers maintaining the excellent professional tradition of China's journalists under new social conditions, with their serious working style and creditable conduct. However, instances of improper conduct have been found among some journalists participating in enterprise operation activities and making a profit off them. Asked to desist many times, and to no avail, they have aroused strong feelings against them from the people and from many in the journalism field. Such activities should be stopped. But the basic and actual significance of the professional ethics that should be observed by journalists is this basic goal of wholehearted service to the people, as required by journalism.

In an important speech made by Comrade Jiang Zemin in November 1989 entitled, "Several Problems in the CPC's Press and Information Activities," he raised the point that the basic direction of the CPC's information and press work is oriented toward service to society and service to the people. In present-day China, only firm adherence to the path of socialism can protect the rights and interests of all the people, and the basic feature of service to socialism is service to the people. Therefore, wholehearted service to the people is the basic purpose of

information and press work. All of our information activities belong to the people, and journalists are assigned by the people to engage in information work. Therefore, it is reasonable to submit to the will of the people, to meet their needs, and through such information activities, to make the people the master of the house for them to carry out their responsibilities as the master, and for them to participate in the nation's political, economic and cultural life and other aspects, by providing them with the news and information needed. We praise their creativity and labor in building socialism, and properly reflect their hopes and expectations. The journalist's service to the people must be wholehearted and responsible. The journalists' professional code of ethics sets down what is good for the people's interest, and is permissible for further promotion, and what is counter to the people's interest and should be forbidden. This is the actual requirement of socialism's ethics code as applied to the journalism profession. For this reason, we should understand the significance of a professional code of ethics for journalists formulated from this basic policy of implementing information activities toward the basic goal of serving the people.

Next, serving the people is a thread of red that runs throughout all journalistic ethics. Grasping this point is grasping the nucleus of professional ethics in journalism, for many moral requirements are derived from this. For example, to serve the people requires propagating the CPC party line in a proper way to reflect its relationship with the people, and adhering firmly to one's consistent responsibility to the party and the people. The view suggesting that people-oriented information or news is in opposition to the party-oriented kind, that only party-oriented information can be responsible to the party, and only the people-oriented kind can be responsible to the people is not only wrong, but damaging politically. Moreover, this view actually runs counter to the people's interests.

In another example, to serve the people, we must distinguish between love and hate, support correct ideology and action that agree with the people's interests, criticize and expose any incorrect ideology and action that run counter to the people's interests to bring into play the vigilance of public opinion.

In still another example, to serve the people requires balancing the relationship between social and economic benefits by placing social benefits first. Economic benefits considered without thought of social effects is an immoral act damaging to the people's interest.

In a fourth example, to serve the people requires an awareness that respects the constitution, the law, and discipline in information dissemination. Under the premise of subjecting to the will of the people, journalists may have considerable leeway for action, to enjoy the privileges of freedom as set by the constitution and the law. But at the same time, they must be subject to the

restraints of law and order, which is necessary for protecting the people's interests.

In a fifth example, to serve the people requires adhering firmly to real, objective, and fair principles. Only by starting with the people's interest in mind, is it possible to talk about objective fairness, and it is only by standing in the people's place that one can be truly objectively fair. Journalists should be selective and report on news with the people's interest in mind, and must not allow close or distant relationships, personal likes and dislikes to affect their news reports, nor permit publication of articles based on personal relationships and favors. They cannot allow information tools in their control to become tools profiting other individuals or small groups.

In a sixth example, to serve the people, journalists must oppose the erroneous tendency to commercialize the news. Socialism must develop a planned commodity economy, and publications such as newspapers, news articles, wireless communiques etc., that may be sold on the market are imbued with a certain commodity nature, though the news or information itself cannot become a commodity for sale to whoever can pay for it, or for obtaining payment from whoever was the subject of the article, in a way that makes news reporting a business transaction. This is deviating from the purpose that information work is service to the people.

Third, implementing The Code requires journalists to truly observe from the people's standpoint, to establish a world view and a philosophy of life of serving the people wholeheartedly. Only when we have established such a concept in the way we think and feel can we consciously observe the ethics code, and consciously resist the unhealthy tendency that does not agree with standards of journalistic ethics. A socialist journalist should establish the concept that places the interests of the party, the state, and the people uppermost, and subordinates and melds personal interest to them. The journalist must take working for the interest of the people as the standard toward which his personal values are measured. By engaging in proper information activities to promote both modern construction and social stability, and by contributing to strengthening the state and enriching the life of the people, the journalist will have realized his own personal values. If it is possible to reach this point, we will have been better able to integrate the journalists' code of ethics with information dissemination activities, to become the basic policy for information work serving socialism and the people.

#### Xing Bensi Criticizes Trends in Intellectual Circles

91CMD4854 Beijing ZHUXUE YANJIU /PHILOSOPHICAL RESEARCH/ in Chinese No 3, 25 May 91 pp 3-13

[Article by Xing Bensi (6717 6321 1835): "Major Debates in Philosophy"]

(Text) In studying Marxism, we should combine theory with reality and examine new conditions and issues as practice evolves. This is the basic method for studying Marxism. I also believe it is imperative that students of Marxist philosophy compare it with non-Marxist philosophies. Comparative study deepens our understanding of Marxist doctrines. Accordingly, I propose to review and analyze some hotly debated issues in philosophy in China in recent years in an attempt to further examine and correctly understand Marxism by comparing it with some contemporary theories.

### I. On Humanism and Alienation

Humanism and alienation were two hotly debated issues in the early 1980's. In the past few years, however, the controversy has died down. But why were they so hotly debated in the early 1980's? We have to consider two backgrounds. First, the historical force of the so-called Great Proletarian Cultural Revolution, during which all sorts of inhuman phenomena took place, had just come to an end. Many cadres and ordinary people were tormented and destroyed in all sorts of ways. Some after the farce came to an end, many comrades in the theoretical community began asking, "Did the phenomena that occurred in the Cultural Revolution have something to do with the biases of the theoretical community when it comes to the propaganda on humanism in all these years?" As they reflected upon the lessons of the Cultural Revolution, therefore, some comrades in the theoretical community, particularly those in philosophy, called for the reevaluation of humanism. In other words, there should be a correct Marxist evaluation of humanism. The second background has to do with the resurgence of humanism around the world after World War II, which somehow also found its way into China through a variety of vehicles such as phenomenism, existentialism, and Western Marxism. Students of these theories examined the issue of man in depth and wrote extensively on it, which explains the strong influence of humanism in the postwar period. The resurgence of humanism drew important sustenance from the discovery of one of Marx's early works, "The Economic and Philosophical Manuscripts of 1844." Ever since its discovery, the work has been highly regarded worldwide. There is even a trend to use it to repudiate Marx's later writings. This trend began in the early 1930's and has lasted to this day. "The Economic and Philosophical Manuscripts of 1844" bears traces of Feuerbach's humanism and is replete with references to humanism, the alienation of man, and the restoration of man among other things. Since the 1930's, some Westerners have insisted that only this work represents the true essence of Marxism, that it is the inspiration of Marxism, and that Marx's later writings deviated from his true thought as expressed in the earlier piece of writing. In the West, much has been said and written about this. In the 1930's, Lang Zi Hu Te [6745 5417 5170 3676] and Mai Ye er [6701 5102 1422], influential figures in the Social Democratic Party in Germany, for instance, began to argue along those lines. They were subsequently joined by a host of thinkers and

theorists, including Herbert Marcuse, representative of Marxism in the West, and Georg Lukacs. That this background too must be considered. In other words, there has been a strong undercurrent of humanism in the world after the war. This undercurrent can be divided into two tributaries. One is represented by modern Western bourgeois philosophy, the other by the trend to juxtapose Marx's early works against those he authored in his mature years. Subsequently the two tributaries were joined. These two backgrounds must not be ignored when we talk about the heated debate humanism and alienation engendered in China in the early 1980's.

Many issues were raised during the debate and many articles were written, between 780 and 850, according to incomplete figures. The debate was at its height between 1980 and 1984, when a lot of articles were penned with very sound opinions. The debate featured a variety of views. In my opinion, there are three notable issues. First, the relationship between humanism and Marxism. It is claimed in some articles that the essence and core of Marxism is humanism. Second, the value of man, especially this question: How are we to assess the value of man? Third, the issue of alienation, particularly whether or not there is alienation in socialism. That is, as we often ask ourselves, is the idea of alienation in socialism tenable? There is no consensus in the theoretical and philosophical circles on these three issues.

On the relations between Marxism and humanism, personally I think we should differentiate among a number of things. First, Marxism never rejects humanism categorically, but actually affirms the positive contribution of humanism to the history of human thought. The reason is that humanism was born during the Renaissance as a banner of the bourgeoisie in its struggle with feudalism and theocracy. Thus its very birth represented progress. It was a banner for the bourgeoisie. At the time the war cry was respect for man and individual freedom. There was a celebrated debate during the Renaissance between Martin Luther and Desiderius Erasmus over free will. At the heart of the debate was this question: Does free will belong to man or to God (is free will divine or human?) Martin Luther argued that only God had free will, not man. Erasmus, on the other hand, contended that free will was human as well as divine. The humanism of the Renaissance, as we know, had not yet worked their way to atheism. They still recognized the existence of God. At the same time, they also stressed the value of man, individual liberation, and free will. The debate had a strong influence at the time. From a historical perspective, therefore, the kind of humanism which manifested itself as humanism in the Renaissance played a highly progressive role, opposed as it was to feudalism and religious authority. Marxism has always affirmed the progressive role of humanism in history. Be that as it may, I don't think we can equate Marxism with humanism. It is one thing for Marxism to recognize the progressive function of humanism in history. It is something else to sum up Marxism as humanism. One must

not be confused with the other. Therefore those who claim that the essence and core of Marxism is humanism are wrong.

It was a famous thesis of Engels' that Marx made two epochal discoveries: historical materialism and the theory of surplus value. I am not going to discuss the theory of surplus value here. But why was historical materialism an epochal discovery on the part of Marx? Because the founding of historical materialism was a revolutionary change in the conception of history. Before Marxism, idealism dominated the conception of history. Even a number of materialist philosophers who were in the forefront of naturalism took an idealist view of history. The fundamental reason was that before Marxist philosophers, including materialist philosophers, could not quite figure out what the form of material existence is in the realm of social history. In other words, what really is material in history? The realm of social history was different from that of nature. It includes human activities, activities that were consciously and purposely executed. That is why things get murky once we enter the realm of social history. Does material exist in this realm? Is there an objective law independent of human will? As noted above, before Marxism, historical idealism practically dominated thinking in this area. However, historical idealism took numerous forms, including these three which were the most important and influential. First, the theological view of history, which holds that the world was created by God and that all history was shaped by God's will. The second is the heroic view of history, which claims that historical development was determined by the will of a few outstanding individuals. This thesis was propagated by many bourgeois historical philosophers, the most famous of them being Carlyle, the English philosopher. The third was the humanist view of history, which explains all historical phenomena with such yardsticks as human nature, man's natural instincts, as well as his rationality. Included here is utopian socialism, which preceded scientific socialism. Utopian socialism paints an array of imaginary scenarios about the future society, including some ingenuous conjectures. Nevertheless, its historical view remains a humanistic view of history. The proponents of socialism, whether they be Saint-Simon, Fourier, or Owen, all argued that socialism was rational because it was in line with human nature, which shows that they did not analyze the socialist society from the perspective of a law. They even pinned their hopes for achieving socialism on the ruling class. Once you explain the principle to the rulers, the people in power, to they recognized, nobody would oppose socialism because it is a social system consistent with man's natural instincts. This then is the fundamental difference between scientific socialism and utopian socialism in their conception of history. The historical view of utopian socialism is based on humanism, while the historical view of scientific socialism is based on historical materialism. This is a fundamental difference.

The historical materialism of Marxism is fundamentally different from the conceptions of history mentioned

above. It laid bare the objective principle in human social development that is independent of man's will. While human history cannot be separated from man's conscious activities, and while history is man's creation in a certain sense, it has its own objective principles. As Engels said, not only the will of a person but also the will of an entire class cannot influence such principles. What kind of laws are these? Among the means of social phenomena, historical materialism singles out the most basic phenomenon, namely man's productive activities. Productive forces constitute the most active element in production. The development of productive forces leads to changes in the relations of production. Changes in the relations of production, in turn, fuel changes in the entire superstructure. And that is how human society advances endlessly. This sounds simple, but it is actually a very complex process. As Engels said in the speech he delivered at Marx's graveside, Marx discovered a truth in the most mundane of daily routines, namely this: before man can carry out his other assorted activities, including all sorts of complex spiritual activities, he must solve the problem of food and existence, that is, the question of production, the question of securing the material goods that his existence depends on. This was something nobody else had discovered. This discovery touched off a revolutionary change in the conception of history, besides which the theological view of history, the heroic view of history, and the humanist view of history of the past all paled in significance. How then can we say that humanism is the essence and core of Marxism? It was precisely in the realm of the conception of history that Marx broke with historical idealism. Now some people want to turn around and claim that humanism represents the essence of Marxism. This theory simply will not stand. Nor is it consistent with historical facts.

Another major issue about humanism is the value of man. Marxism fully affirms the value of man, including self-value. The question is how we should really interpret man's self-value. Influenced by Western philosophy and thinking, there is a trend in the philosophical circles in China in recent years to elevate the idea of self, of self-consciousness, self-expression, self-realization, self-recognition, and self-choice exclusively. The philosophy of Bertrand and Nietzsche have had a substantial impact on students in recent years. Of course, the evaluation of Nietzsche is something that requires serious study. In the past, Nietzschean philosophy was portrayed simplistically as a philosophy based on fascism. However, his philosophy did indeed over-emphasize the importance of self. There is a notion in the philosophy of Nietzsche which has been translated into the "will to power." Professor Chen Guoying (陈国英) (1915-1984), the well-known scholar, suggested that it should have been rendered as "will to charge." Nietzsche's "will to charge" does not mean a drive to pursue power. It means there is a drive inside man that transcends one's self. It is precisely this potential drive for self-transcending that propels man to participate in a full range of activities endlessly. Nietzsche exaggerated self-self exclusively and elevated the will to power to the level of a drive that

prompt man to take part in every activity. Another important Nietzschean concept is the so-called "self-mastery," which urges a person to be his own master. Concepts like these exert a powerful influence on our young students. The Sartre theory of self-choice is tinged with idealism and irrationalism. Sartre made this important assertion: "Man's existence comes before his essence." What did he mean by man's essence? It refers to man's process of continuous self-training and self-choice after he is born into this world. The ideas of self-choice and self-training, so popular among young students in recent years, can be traced to Sartre's philosophy. Sartre, as we know, elevates freedom to an extraordinarily high level. To him, freedom is absolute and is totally unconditional. It is something that man is born with. He related the following story in his work "Existence is Humanism" published in 1946. The father of one of his pupils was a traitor who surrendered to the fascists. His brother, a soldier, was killed in action. His mother, living alone at home, was anxious to have her son come home and stay with her in her waning years. The student was torn. Should he stay home to keep his mother company, as she wished, or should he join the anti-fascist struggle as his brother would have wanted him to do? He sought guidance from his teacher. Sartre told him that this was something he must decide for himself; no textbook in the world could show him which course of action he should take. The freedom to choose one's action rests with man entirely. An anti-fascist fighter, Sartre abhorred fascism. But he answered his pupil's query as an existentialist philosopher. In my opinion, it was an dishonest answer. This is why. In deciding whether or not a person's action is correct, we must follow a certain objective standard, namely its contribution to social progress and social development. At the time, anti-fascism was a common aspiration shared by all peoples in the world. To fight fascism was righteous behavior. A person free from prejudice would choose the anti-fascist struggle if he had to choose a particular course of action. It is inherently dishonest to refuse to take a stand but instead keep harping on the absoluteness of the freedom of choice even when one is facing a grim struggle against fascism. Yet it is this concept that is winning a wide following in academic circles and among young people in recent years. Carried to extreme, this concept may readily give rise to political anarchism. According to this concept, you can do whatever you want. Since the freedom to choose is absolute, nobody can intervene no matter what you choose to do. In daily life, this concept will lead to amorality. The freedom of choice is absolute; it is not subject to any moral restraints. The corruptive effects of this concept on young people are profound.

The third issue in the debate on humanism is alienation.

How did alienation come about? I do not intend to discuss the historical origins of alienation here. It must be mentioned however that it was a term widely used in German classical philosophy, first by Hegel, and later by Feuerbach. Hegel was an idealist philosopher. To him

the entire world was formed and driven by the operations, changes, and development of the idea of the absolute. According to Hegel, before man appeared and even before nature appeared, an objective spirit was already in existence, that is, the absolute was already in operation. Nature came into being only when this objective spirit, the absolute, developed to a certain stage. Hegel believed that as far as the absolute is concerned, nature is an alienated thing. Hence the term "enstremung" in his "Natural Philosophy." He argued that nature is the externalization of the absolute, something alienated from and opposed to the absolute when the absolute has developed to a certain stage. Hegel also referred to alienation on other occasions, as when he was discussing the development of the subjective spirit into the objective spirit.

Feuerbach made the point that religion is the alienation of man's essence over and over again in some of his most famous works, including "The Essence of Christianity," "The Essence of Religion," and "Lectures on the Essence of Religion." According to Feuerbach, man created God based on his essence only to see God become something opposed to and alienated from man himself. Man thus becomes the slave of his own creation. Simply put, this is what Feuerbach meant by alienation. Feuerbach used alienation as a weapon to criticize religion.

Marx also applied the concept of alienation in "The Economic and Philosophical Manuscripts of 1844," referring primarily to the alienation of labor. Marx used the concept of alienation to analyze a phenomenon in capitalist society, namely the takeover by the capitalists of materials created by workers. Commodities made by the worker become a material force that the capitalist uses to control workers. Although "The Economic and Philosophical Manuscripts of 1844" retained traces of Feuerbach's humanism, therefore, it already was deeply colored by the concept of the alienation of labor. Already it was closing in on the essence of capitalist exploitation. Of course, Marx had not yet formulated the even more scientific notion of surplus value at the time.

Because of the numerous references to "alienation" in "The Economic and Philosophical Manuscripts of 1844" and the tendency in the world to overvalue the work, there has been much discussion about the notion of alienation both in China and abroad since the 1980's. In all the writings on alienation, one argument merits special attention, namely that alienation exists also in a socialist society. Certainly we can discuss this point of view further. Personally I do not agree with it. We all know that socialism has its flaws, which must be tackled to earnest even today because they have not yet been overcome, particularly corruption, bureaucratism, and isolation from the masses. There have been many complaints from the masses about these flaws. In addition, the social climate is bad. So we still have many problems. But can we say they are inherent in the development of socialism? I don't think so. In the final analysis, these flaws can be traced to the ideology of the exploiting class left behind by the old society. They are not inherent in

socialism. Remember that China was a semi-feudal semi-colonial society to begin with. We carried a heavy historical burden. We began socialist revolution and socialist construction from a very backward base. We had no choice but to wage a struggle against the ideology of the exploiting class left behind by the old society, even the ideology of the exploiting class within the party and among the leading cadres. We must also see that only by adhering to the socialist road can we win the struggle.

Another argument made by writers of socialist alienation is this: since the socialist system is more centralized, it inevitably breeds bureaucratism. There is actually nothing original about this argument. The "pragmatic" school in Yugoslavia, for instance, subscribes to this point of view. Criticizing the government and the party in Yugoslavia, the "pragmatic" school asserts that the socialist system is inevitably a centralized system and that centralization inevitably leads to bureaucratism. Just how valid is this argument? In my opinion, the thesis that socialism is inevitably a centralized system simply does not hold water. Many socialist countries in the world today have a centralized system, but that is not predetermined by socialism per se. Centralization in socialist countries, as we know, essentially began with the Soviet Union and was modeled on it. The Soviet Union adopted a centralized system against a specific historical backdrop. After the October Revolution, the Soviet Union was subject to a blockade by all capitalist nations and was the target of military intervention by 14 nations. Within the country itself, reactionary classes and forces remained rampant. Faced with such a grim situation at home and abroad, first Lenin, then Stalin, came to depend on centralism. Certainly Stalin committed serious errors later, but that is another matter. This shows that there were specific historical conditions under which the Soviet Union built its centralized system. That the centralized system is not inherent in socialism, but a specific product of the historical conditions prevailing at the time. A crucial part of socialist reform is to dismantle the overly centralized, overly rigid system. After decades of practice, this system has fully revealed its irrationality and its numerous weaknesses. However, we cannot blame the weaknesses on socialism itself because they do not flow inevitably from socialism.

## II. On Practical Materialism

Why has practical materialism become another hotly debated subject in philosophical circles in recent years? One fact must be taken into consideration. As the new situation of reform and openness emerged, people in the academic and theoretical circles were also exploring their own reform. After 1985, a heated discussion took place in the philosophical community on how to reform philosophy. It was precisely in the midst of this discussion that some comrades made the point that we should emphasize the role of practice in Marxist philosophy, that we should highlight it as the core of Marxist philosophy. Some comrades argue that one weakness or inadequacy of the Marxist philosophy in the past lay precisely in its failure to highlight practice and that the

function and role of practice was stressed only when it discussed the theory of knowledge, the origins of knowledge, the development of knowledge, and the criterion for testing truth. But the fact of the matter is that not only does practice serve a purpose in the theory of knowledge, it also has a role to play in the conception of history. Man's principal activity is productive activity. Productive activity itself is social practice. It is precisely historical materialism that considers man's productive activity his primary practical activity as well as the basic motive force of human social development. Of course, in class society there is also the practice of class struggle, characterized by Marx as the direct motive force of the development of class society. Thus practice has a place in the realm of the concept of history as well.

Does practice therefore have a role to play in ontology? After years of discussion, it is agreed that practice has a place and a role in ontology too. By the way, although the term "ontology" is a common expression in the history of Western philosophy, its meaning is not clear. In materialism, ontology is material as subject. In idealism, ontology is spirit as subject. For this reason, I consider nature a more appropriate term. The Marxist view of nature is simply the Marxist interpretation of nature.

Since many people are using the term "ontology" to mean the concept of nature, we may as well use it. Why do we say that practice has a place and role to play even in the realm of ontology? Many comrades have come up with this justification. The nature we face today is no longer the nature devoid of any human presence that existed in the prehistoric era. Much of nature has now been transformed by man and bears the mark of human practice. That is to say, to some extent human labor has been crystallized in the objective object in a material form. Or, to put it differently, human labor has been objectified. Significantly Marx referred to that part of nature that has been transformed by human practice as "humanized nature." This is a profoundly important Marxist thesis. As some comrades see it, "humanized nature" precisely refers to man's material labor crystallized in nature, that is, labor as object. It should be noted that this interpretation of nature and of thing-in-itself is one of the fruits of research in the academic and philosophical circles in recent years. This interpretation broadens the realm of practice and pushes the significance of practice beyond the theory of knowledge toward the realm of ontology. Thus far the understanding of the philosophical and academic circles is basically the same. Beyond that, however, the consensus breaks down. Taking the notion of "humanized nature" as their starting point, some comrades conclude that the object-as-being should no longer be called material-as-being but practice-as-being because the being is no longer what it was but has been processed by human practice, the results of man's labor having been condensed with the material-as-being in nature. In my opinion, the proposal about practice-as-being is just not right. Although objective nature has been transformed by man's practice, it remains a material thing. Comrades who advocate practical ontology are confused in one aspect; they equate the

results of practice with practice itself. Practice itself cannot be a thing in itself because practice is a human activity, an intermediate between the subject and the object. It is neither subject nor object in itself. In the words of Marx, practice is creative activity. It is intrinsically a dynamic thing, while the outcome of practice is static. The outcome of human activity melds together labor and a particular thing in nature, turning them into material labor. Material labor is a thing and belongs in the objective realm, not the subjective realm.

Some people go even further. Proceeding from the concept of "humanized nature," they have put forward so-called "transcendental ontology." Since traces of human practice can be found in the objective realm, then isn't it true that the subjective exists in the objective as well? Some comrades even claim that separating the subjective from the objective is an old philosophical way of thinking. Modern philosophy could transcend the bounds of the objective and the subjective, such is the meaning of transcendental ontology. According to this line of thinking, fundamental philosophical issues expounded by Engels as well as the boundaries of materialism and idealism all come under old philosophical thought and should be abandoned lock, stock, and barrel. Isn't it clear what people who think this way are really after?

We should point out here that the above practical materialistic doctrine is not the new invention of some comrades. Antonio Gramsci, for instance, made a similar point in his writings. As leader of the Italian Communist Party, he was steadfast politically, his faith in revolution unshaken in the least by years of imprisonment. His performance as a politician and a leader of the international communist movement was also solid. However, some ideas in his "Notes in Prison" written while he was in jail were incorrect or, at a minimum, inaccurate. His interpretation of the first thesis in Marx's "Theses on Feuerbach," for example, was slightly off the mark. Marx wrote, "The chief defect all hitherto existing materialism—that of Feuerbach included—is that the thing, reality, sensuousness, is conceived only in the form of the object or of contemplation, but not as human sensuous activity, practice, not subjectively. Hence it happened that the active side, in contradistinction to materialism, was developed by idealism—but only abstractly, since, of course, idealism does not know real, sensuous activity as such." This is a celebrated Marxist thesis. What it means is clear. Marx was chiding the old materialism for its failure to grasp the significance of practice, for its tendency to conceive of the thing, reality, and sensuousness directly, so that the active side was developed by idealism. Gramsci concluded from this passage that Marx criticized both materialism and idealism, that neither was perfect, that only by eliminating the antithesis between idealism and materialism and combining them could we create a more comprehensive philosophy. Gramsci's conclusion was a misunderstanding of the first thesis in "Theses on Feuerbach," to say the least. Some of our comrades base their theory of

transcendental ontology on the above passage by Gramsci. Based on this thesis, the lines of demarcation between idealism and materialism disappear and materialism itself becomes an incorrect concept. Clearly this kind of thinking is misguided.

There are comrades who argue that since practice occupies such a prominent place in Marxist philosophy, then we should sum up Marxist philosophy as "practical materialism" and have it replace dialectical materialism. Their rationale is a passage on practical materialism from "The German Ideology" (1846). Marx wrote, "In reality and for the practical materialist, i.e., the communist, it is a question of revolutionizing the existing world, of practically attacking and changing existing things." Actually this passage is similar to Thesis XI in "Theses on Feuerbach." Nor are they far apart in terms of time. "The German Ideology" was written in 1846, the "Theses on Feuerbach" in the spring of 1845. In Article XI, Marx wrote, "The philosophers have only interpreted the world, in various ways; the point, however, is to change it." We cannot conclude from this passage in "The German Ideology" that Marx was about to characterize his philosophical doctrine as practical materialism. We can see from this passage that Marx was emphatic about the practicality of his philosophy. If we read this passage in conjunction with Thesis XI, it is clear that the philosophy he was advocating was different from the philosophy of the past; his was no mere doctrine, but closely integrated with practice. Hence his emphasis on changing existing things. So, in using the expression "practical materialist" in "The German Ideology" written in 1846, all Marx was doing was to stress the practical nature of his philosophy, nothing more, nothing less. Yet some comrades purport to sum up Marxism as practical materialism using this as evidence. They are on shaky ground. If this were purely a semantic argument, that would be no big deal. But the key, as I noted above, is that some people in the past few years have put forward ideas like "practical ontology" and "transformation ontology" unduly exaggerating the role of practice. Certainly practice has a prominent place in Marxism, which, however, has been exaggerated by certain comrades in the philosophical circles in recent years to the extent of denying the material nature of the universality of the world, repudiating the basic philosophical issues, and rejecting the antithesis between materialism and idealism. This debate is still in progress. To me this is an academic matter on which people should be free to express different opinions. What I have done is to air my own personal views. The academic community should have this kind of spirit and seriously discuss this or that theoretical issue in Marxism to realize the principle of "letting a hundred schools of thought contend."

### III. On Subjectivity

Subjectivity is an important concept in Marxist philosophy. The reason is that even as it emphasizes the material nature of the objective world, Marxism also stresses the active nature of the subjective. It is opposed

to mechanical materialism as well as idealism. We have always emphasized letting the subjective play a full role provided that objective laws are complied with. As Marx said, what distinguishes mankind from ordinary animals is that man is engaged in creative activities, while animals benefit from nature passively. Even as he transforms the objective world, man transforms his own subjective world, in the course of which he also obtains the various material means of subsistence. That is to say, man does not benefit from nature passively. It is only natural for Marx to affirm the role of the subjective. If we are to develop productive forces, succeed in modernization, and put the socialist economy on a stronger footing, we must make it a priority to improve the quality of workers, improving not only the subjective quality of each cadre but also the subjective quality of our workers and ordinary laborers. Of all the elements of production, the worker is the most important. In recent years, there has also been a heated discussion in literary and artistic circles about subjectivity because the role of subjectivity in literature and art is ever more striking. There can be no literary and artistic creation without giving full reign to subjectivity. Writers must not only delve deeply into life and collect materials extensively, but also labor long and hard refining and touching up the materials they have collected. In addition, literary and artistic works must embody various subjective value judgement on the part of the writer, including aesthetic judgement. Thus however you look at it, subjectivity is a major concept. The discussion over subjectivity in the past few years has been useful.

Nevertheless, we should also note that there is a misguided tendency in the discussion on subjectivity, namely that of putting the role of the subject against objective laws and exaggerating the former. In this context, a number of influential articles have come out in the past few years. One is "Realism and the Theory of Reflection" (WENHUI BAO, 12 July 1988). Even more influential is "On the Subjectivity of Literature" (WENXUE PINGLUO, No. 6, 1985 and No. 1, 1986). There is one thing about the discussion that merits our special attention. Some people have been directing most of their criticisms at Lenin's "Materialism and Empirio-Criticism," at the "theory of reflection." The two articles mentioned above use almost identical language to make the point that in the past several years mechanism and fatalism directly perceived through the senses have been gaining popularity in China while subjectivity has been lost and that subjectivity has been lost because the philosophical and artistic circles these days remain wedded to the dogma of "reflection." Both influential articles zero in on "Materialism and Empirio-Criticism," Lenin's representative work on the theory of knowledge, because the writers think that the work harps on one argument, that knowledge is man's reflection, description, and photography of objective things, that it sums up knowledge as reflection, and sums up reflection, in turn, as description and photography. If this is not mechanism, what is? After going through these two articles over and over again and rereading Lenin's work,

I think that the two articles are biased. Of course, we are not suggesting that a work written over 80 years ago needs no theoretical updating. It should be said that practice has come a long way in the last 80 years, that natural science and social science have produced a bumper crop of new achievements, and that we need to summarize practical experiences and scientific research achievements to further the development of the Marxist theory of knowledge. We have no problem with that. However, judging from the overall spirit of "Materialism and Empirio-Criticism," it is still a classical text on the Marxist theory of knowledge. Read the work carefully and you will see that Lenin did not simply summarize man's knowledge as reflection. In particular, he did not summarize man's knowledge as the reflection of a mechanical kind of materialism. We must not think of mechanical materialism the moment we hear the word "reflection." Mechanical materialism has its own reflection, just as dialectical materialism has its own reflection. The reflection of mechanical materialism is indeed the kind of reflection directly perceived through the senses, as some articles have commented, while the reflection discussed in dialectical materialism is a dynamic reflection, one that does not reject the dynamic role of the subjective. It is said in dialectical materialism that knowledge is reflection only in response to those people who ask "What is the origin of knowledge?" According to dialectical materialism, man's knowledge derives from the objective outside world, but it does not stop there. It also notes that reflection itself is a highly complex process. Mao Zedong made it quite clear in "On Practice" that knowing is a highly complex process, from sensual to rational, from rational to practical, and on and on it goes. It would make a lot of sense for our friends in the philosophical and literary circles to suggest that now that our practice has come a long way and that both natural science and social science have scored countless new achievements, we should expand the Marxist theory of knowledge after reviewing the new practical experience and new scientific achievements, instead of letting the Marxist theory of knowledge languish at the level of seven or eight decades ago, or even four or five decades ago. But that is not what some people are saying in their writings. Instead, they pick on the "theory of reflection," equating the "theory of reflection" with the "mechanical theory" and holding Lenin culpable. I think this represents a misunderstanding or, at best, a misinterpretation, of Lenin.

Some people, including the writers of the two articles mentioned above, suggest that the "theory of reflection" be renamed "structuralism." The reason is that the "structuralism" put forward by Pitkin offers a more scientific explanation of man's process of knowing than the Marxist theory of reflection. Is there a basis for this argument? I for one don't think so. As I see it, Pitkin's theory of knowledge is actually a dual theory of knowledge. He himself noted that there are three types of theory of knowledge. The first one holds that knowledge originates in man himself. The second holds that knowledge originates in the objective outside world. Pitkin

said that his theory of knowledge was neither the first type nor the second type, but the third type, which holds that knowledge comes from the interaction between the subject and the object. He sidestepped the question of the origins of knowledge. Subsequently I read some of his works and found that there were numerous remarkable ideas in his psychology, which we would do well to learn. When it comes to the origins of knowledge, however, he indeed exhibited a dualist tendency. He noted the interaction between the subjective and the objective without saying which prevails over which in the end. The Marxist theory of knowledge also refers to the interaction between the subjective and the objective, but it is premised on the theory that the objective determines the subjective, that the material determines the spiritual. Another serious problem with Pitkin's theory of knowledge is that his concept of knowledge structure was influenced by the Kantian notion of a priori insight. To Kant, parameters such as time and space were developed gradually by man from generation to generation. For an individual, they belong in the realm of a priori knowledge, referred to by Kant as a priori knowledge. Some comrades consider Pitkin's theory of the interaction between subject and object more brilliant than the Marxist theory of knowledge. I find such a conclusion unfounded. It elevates Pitkin's "knowledge by happening" to an excessively high level while downplaying the Marxist theory of knowledge. That is why I feel that the discussion in recent years, particularly the articles written by some of our young friends in the theoretical community, have been influenced by certain Western academic viewpoints. That is understandable. For many years we isolated ourselves. Then a tidal wave of Western thought swept into China. Agog with curiosity, we have drawn some misguided conclusions. We should adopt a scientific attitude toward Western academic theories. On the one hand, we cannot just reject them out of hand. On the other hand, we must not copy them blindly as if every new thing, every novelty from other nations, is the truth. Instead we must analyze scientifically and absorb what makes sense. Replacing "the theory of knowledge" with "structuralism" does not advance the theory of knowledge in any way. Now indeed is a time when we must review the new scientific achievement in all areas over the past few years. If we do a good job here, the Marxist theory of knowledge can go forward and develop. The question, therefore, is not whether or not the Marxist theory of knowledge needs to develop, but how.

Concerning subjectivity, I would like to take a look at the discussion on this subject within the literary and artistic circles and the article "On the Subjectivity of Literature" as well. The article was written by a middle-aged literary and artistic theoretician and critic who has authored a good number of articles in the last few years, notably "The Expansion of the Space of the Thinking on Literary Research," "Literary Research Should Center on Man in Its Thinking," and, most important, "On the Subjectivity of Literature." Reactions to its publication were immediate and explosive. The article is opposed to

mechanical materialism and the theory of reflection directly perceived through the senses. It argues that the traditional way of thinking should be discarded. The so-called traditional way of thinking refers to the principle of creation that the literary circles have followed for years, namely that literature and art stem from life. The writer argues that this way of thinking has become a fixture. If we do not break free from it, there can be no breakthroughs in literature and art. In other words, literary and artistic theories and principles of creation that rule the literary and artistic circles are mechanical materialism and direct reflection in the eyes of the writer. To him, the way to change this state of affairs is to emphasize the role of subjectivity. He stresses that the subjectivity in the literary and artistic circles in recent years is a serious problem. If literature loses its subjectivity, man too will lose his subjectivity in practice. To him, the primary driving force of literary creation is the "inner universe." The so-called "inner universe" means the writer's "inner world." Once released, the forces of the inner universe transcend history. Accordingly, he does not agree that the motive force of historical development is created by production or that development is propelled by material things. He argues that only the combination of the inner universe with the outer universe is the driving force of historical development overall. In his opinion, the inner universe plays an even larger role in literature, so he suggests that the literary and artistic circles replace the traditional approach to literary and artistic creation—from the outside to the inside—with a from-the-inside-to-the-outside and from-inner-universe-to-outer-universe approach. Clearly his views run counter to the Marxist theory on literature and art and the basic principle put forward by Comrade Mao Zedong in his "Speech at the Yanan Forum on Literature and Art."

Certainly writers play a critical role in literary and artistic creation. The Marxist theory on literature and art holds that literature and art derive from life. Life is the fountainhead of literature and art. If literature and art do not stem from life, if instead writers create in their own ivory towers, their works would have little vitality. At the same time, the Marxist view on literature and art also holds that the materials that spring from life are not works of art. They must be refined and processed extensively by writers expending a large amount of creative energy. A writer not only has to consider and decide the theme of his work, but must also develop the plot and choose the right language. All that requires a lot of hard work. Of critical importance here are the qualities of the writer himself. The better the writer's qualities, the stronger his training in literature, history, and philosophy, the more vital his works will be. That is why Marxism has traditionally emphasized the subjective role of the writer. This aspect has not been overlooked. One other thing. Not only does creation entail arduous labor on the part of the writer, not only must he be highly accomplished in every way, but the work must also express his feelings. All literary and artistic works are filled with the feelings of their creators, who do more

than weave a plot full of joys and sorrow and mold a number of flesh-and-blood characters. In creating a work, a writer also expresses his attitudes toward the plot, the characters, and the characters' destiny. An author, particularly a poet, is often highly intensely sentimental. As someone once said, poets are born of anger. A poet devoid of passion, a poet as cool as a scientist, will not be able to write any poetry. Thus the role of subjectivity in literature and art has never been in dispute.

Some articles assert that subjectivity has been lost. People who make such a claim believe that it is not enough just to acknowledge the role of subjectivity in literature and art, we must also recognize that literary and artistic works stem from the inner universe. Only by recognizing that literary and artistic works spring from the inner universe, so they claim, are we truly recognizing subjectivity. That literary and artistic works stem from the inner universe means that writers simply do not need to delve deeply into life, that they do not have to immerse themselves in reality, that they do not have to collect materials. Let him simply fall back on his inner activities and he can come up with an immortal work. This viewpoint is untenable. In both Chinese and foreign literary history, among works that can stand the test of time, such as those of Tolstoy, Balzac, and Dickens, "The Dream of the Red Chamber" and "All Men are Brothers," which one did not stem from life? Which was crafted totally in an ivory tower? The fact of the matter is that no works, not even those of the absurd school, were created completely in an ivory tower. Some of the absurd works have a bizarre form of expression, nevertheless they still reflect some aspect of reality in a rather indirect way. Many people in the literary and artistic circles are given to criticizing "The Metamorphosis" by Franz Kafka. On the surface, it is bizarre to turn a man into a worm. But there is a hidden message there, it reflects certain phenomena in Vienna at the time. If a work is removed from life, from reality, if it is nothing but a figment of its writer's imagination, then how much aesthetic value, intellectual value, and educational value can it have? How much knowledge is there? Certainly such a work will have no vitality. Owing to the considerable ideological confusion in the literary and artistic circles in recent years and the substantial influence of "On the Subjectivity of Literature," abstractionism and modernism have made extensive inroads on the literary and artistic circles, including art, music, and literature. Of course, we have to analyze abstract paintings in depth. We are not saying that abstract paintings have no value at all. However, it would be absurd to go to the other extreme. An exhibition was held at Beijing Art Gallery in February 1989. In the exhibition hall was a

bundle of grass ropes. The writer called that a work of art. How can that be a work of art? A mere bundle of grass ropes, unprocessed. Does it become a work of art just because you call it so? A writer fired a shot at his work that caused quite a stir; even the security people were alarmed, not knowing what had happened. This is the so-called shock effect. Is this a work of art too? One guy washed his feet in a basin of water in the exhibition hall. You call that art too? I have seen some of the most celebrated foreign impressionist paintings. The Metropolitan Museum of Art in New York, the Copenhagen Museum and the Modern Museum of Art in Copenhagen, and the Modern Art Museum and National Art Gallery in London all have extensive collections of impressionist paintings. Some of them, I found, have artistic value, such as certain paintings by Picasso. There are major differences between his earlier works and later works. The latter were intensely impressionistic, reaching new artistic heights. They have a lot that we should emulate. Nevertheless, if we go to extreme with impressionist art, then we will come up with some highly absurd stuff. There are people overseas who throw together a pile of rags or a heap of scrap iron, give it a title, and dignify it as a work of art. In my opinion, to call them works of art is a blasphemy, one can only describe them as the corruption of art. We do not repudiate impressionism categorically, not even the misty poetry. However, we do object to following corrupt things from Western literature and art blindly. Clearly some of the dogmatic theories on subjectivity that have surfaced in literary and artistic circles in China in recent years have been influenced by modernist literary and aesthetic theories and modern Western philosophical viewpoints.

In short, the discussion on subjectivity in recent years, whether in the philosophical community or the literary and artistic circles, has been valuable and meaningful. Still there has also appeared a worsening trend that merits our attention. At the heart of the controversy on subjectivity in recent years is not whether or not subjectivity should be taken seriously but whether there should be a limit to the emphasis on subjectivity. Should we first recognize that knowledge stems from the objective external world and that subjective choices are subject to objective laws and then discuss the creative uses of subjectivity within that framework, or vice versa? Some authors have abandoned these premises and talk about subjectivity expansively. In the end they will only move in the opposite direction, that is, away from materialism. Marxism must evolve. It is wrong to think that it is cast in concrete. But innovation must follow a premise, that is, adhering to basic Marxist principles that repeated trials have found to be correct. The alternative is ideological confusion.

## NATIONAL AFFAIRS, POLICY

### Reform Experiences of Share System Corporations

#### Jintian Industrial Corporation

91CE0924 Chongqing GAIGE (REFORM) in Chinese  
No. 3, 20 May 91 pp 42-44

[Article: "Selective Publications of Experiences in Trial Operation of Share-Listing Companies"]

[Text] Editor's Note: At the "Workshop on Improving the Share System and Share Certificate Market Pilot Projects," more than 10 companies engaged in trial share listing gave briefings on reform experiences in their companies. The experiences of seven of these companies have been selected for publication here for the reference of the readership.

#### The Shenzhen Municipal Jintian Industrial Corporation

##### 1. The Corporation in Brief

The Shenzhen Jintian Industrial Corporation was formerly the Shenzhen Textile Industry Supply and Marketing Company, a state-owned business enterprise under jurisdiction of the Shenzhen Textile Industrial Company. On 28 February 1988, it reformed its share system. Now it holds assets having a net book value of 27.95 million yuan, capital totaling 24.57 million yuan, and 20 subordinate fully owned and joint venture enterprises employing 15,000 staff members and workers. It has begun to shape a development pattern in which four major industries are the mainstays, namely industrial production, the import-export trade, real estate development, and general tourism.

##### 2. Thoughts About and Several Experiences Gained in the Development of the Share System

A form of enterprise organization that possesses vitality, the share system exists in a wide variety of forms among the numerous enterprise groups in China's special economic zones (SEZ). Whether analyzed in terms of the corporation development process, or against the broad backdrop of SEZ, or even nationwide economic system reform, this is persuasive logically and realistically.

The share economy of the Shenzhen SEZ has gone through 10 key stages running from study, pilot projects, and development to the present time, and it has attracted widespread attention at all levels in Shenzhen, among central government departments concerned, and in the Hong Kong media. Interest in the stock market is unprecedented at the present time. Whether the opportunity should be seized to continue its development and improvement, or whether we should wait for quite a while before moving ahead is a matter we have thought about for a long time.

(i) The share system is an inevitable outgrowth of overall SEZ economic system reform.

SEZ economic system reform began with a change in government macroeconomic regulation and control techniques. The Shenzhen SEZ was first in the country to change from direct command style plan control to indirect command plan control. At the second level was reform of the finance and banking system, a change being made from the specialized banks' monopoly over dealings in capital to a system of professional cross competition among specialized banks in dealings in capital. At the third level was a change in land use methods, a change being made from government apportionment of land to a management system of competitive bidding in which industries and businesses paid for the use of land. This brought about the commercialization of land, and a consequent commercialization of the real estate business. At the fourth level was the establishment of state-owned assets control agencies, the system of centralized collection and disbursement of taxes and profits being changed to a system in which profits and taxes were separate.

The reforms at the aforementioned three levels greatly increased the degree to which markets regulated the economy of the SEZ, and this doubtlessly provided unprecedented freedom of operation in all regards including the scale of business, product orientation, financing, and capital construction. However, enterprise system reforms lagged somewhat in improving the mechanism whereby enterprises exercised sensible restraint. Up to the present time, primary level state-owned enterprises (group corporations and directly subordinate companies) have mostly adopted fixed term objective responsibility systems. Second and third rank state-owned enterprises have rather generally adopted contract management responsibility systems. Despite all sorts of trials and tests in contracting comprehensive indices from net profit assessment to net assets and foreign exchange earnings, it has never been possible to establish enterprise self-development and self-limitation mechanisms. Consequently, problems such as low returns on state-owned assets, mindless increases in investment, and inflation of consumption funds have been impossible to solve in a fundamental way. Unless the enterprise system is fundamentally reformed, a return to the old road of direct administrative regulation is bound to occur. Given this situation, the SEZ government has proposed and devoted much effort to promoting reform of the state-owned enterprise share system. It hopes to use the personalization of enterprise property rights as a means of strengthening sensible restraints on enterprises, enterprises thereby being able to make sensible and effective use of the various decision making rights that reform confers to attain the fundamental reform goal of invigorating enterprises and developing the economy. The Jintian Corporation is a pilot project enterprise in the Shenzhen SEZ's first share system reform. Practice in reform during the past two years or more shows the share system to be an effective enterprise system for overcoming the above mentioned shortcomings.

(2) The share system is an effective form of enterprise organization.

Take the Jintian Corporation as an example. When the corporation reformed its share system in February 1988, it had net assets of only 2.2 million yuan. Today, it has net assets of 21 million yuan. Prior to reform, it realized profits and taxes of 4.48 million yuan in 1987. In 1990, it produced profits and taxes totaling 11.49 million yuan. In 1987, its foreign exchange earnings totaled \$9.07 million, but in 1990 they totaled \$20 million. These returns were made in the midst of a domestic economic readjustment and an unfavorable international political and economic climate that occurred in the wake of the 4 June 1989 disturbances. During this same period, most state-owned enterprises showed continued losses. The industrial structure also developed from mostly trading enterprises before reform into a comprehensively developed multiple operating system in which industry is paramount, but including real estate development, and trade service industries.

(3) A share economy is a means of realizing the organic unity of the interests of the state, enterprises, and individuals that assures the safety and effective increase in value of state-owned assets.

Various efforts made in reform of the enterprise system from proportional sharing to various kinds of operating contract responsibility systems have never fundamentally solved the problem of no one being responsible for state-owned assets. The advent of the stock share system guarantees in a fundamental way the safety and the effective increase in value of state-owned assets. Take the Jintian Corporation as an example. From an original state share investment of only 1.1 million yuan, direct returns to the state in the form of dividends and interest for 1988 and 1989 totaled 2.7 million yuan. In addition, equity increased in value more than 10 fold. The situation was largely the same in several other share corporations in the city. By contrast, many directly subordinate state-owned enterprises and group corporations having state-owned assets of several hundred thousand to several million yuan paid only several hundred thousand to several million yuan in profits annually, and some operated at a loss, the government having to provide support.

(4) A share economy provides an equity basis that promotes social stability.

The achievements of share system enterprises in producing economic returns are an incontestable fact, but people do not sufficiently realize the active role they play in stabilizing society. In particular, some temporary and superficial problems accompanying the process of developing a stock market have also occasioned various apprehensions among people, particularly among decision makers at various levels. When we examine the system more deeply, however, we discover the following basic fact. The development of a share economy and a

stock market has meant that an increasing number of people have become investors as well as the recipients of salaries. For the recipients of salaries, imbalances and inequities in remuneration in different positions in different enterprises frequently give rise to dissatisfaction and social unrest. For investors, whose benefits are derived from a return on investment at some future stage, naturally the hope is for a stable investment climate and social environment; thus, they consciously become an important force in the maintenance of social order. Therefore, fundamentally speaking, a shareholding economy and a healthy stock market are an important equity foundation and an economic condition that promotes social stability. It helps the steady prospering of the society.

(5) Share system enterprises have optimized their internal mechanism to bring about a situation of fair competition, a benign cycle, and an increase in skilled personnel.

The vitality of share corporations lies in the transformation of their internal mechanism, and in people (rather than the state) being the owners of equity. As a result, a powerful internal self-limiting mechanism, and a rational competition and optimization mechanism have taken shape. Since corporations must be truly responsible to society in their operation, it has been possible to overcome various abuses in the traditional personnel management system such as payment of wages on the bases of seniority, nepotism, and the exclusion of outsiders. This is where the vitality and the attractiveness of share corporations lies. Take the Jintian Corporation as an example. Among those who have come to work in our company today are some bureau-level and department-level cadres, but they know that they can put their talents to use in this corporation, so they are willing to give up the salaries and benefits of their former grades.

(6) The share economy produces a survival of the fittest mechanism.

The publicizing of listed corporations' financial circumstances and business successes, and the free choice that investors have is bound to produce a survival of the fittest mechanism. This sets the stage for overcoming the "connections economy" of "investing on the basis of personal relationships" under the plan economy. It must be noted, however, that the SEZ stock market still does not fully function as it should in this regard for the following reasons: First, the several share system industrial and commercial enterprises in the first group are standout enterprises by comparison with the average level in society, and the differences among them are not now very marked. Second, since the total amount of shares issued has been small, supply not meeting demand, investors' choices of enterprises to invest in have been seriously diluted by the discrepancy between supply and demand. Third, the primary level stock market is frozen. Investors lack choices. This is the nub of the current market problem.

### **3. Features and Development Prospects of the Jinlian Corporation in Operation of the Share System**

#### **(i) Exploration of a distinctively Chinese form of share ownership system through staff member and worker shareholding.**

From the time of its founding until the present time, emphasis has always been on shaping and strengthening the centripetal force and the sense of responsibility of all personnel in the corporation, particularly development of the corporation from an undiversified, small trading enterprise to the many faceted operating entity that it is today. Achieving steady and sustained development of the corporation through sole reliance on the intelligence of a small number of people at the decision making level is difficult in a situation of countless market changes. Therefore, from the very beginning of reorganization to implement the share system, emphasis was on bringing the reorganization into line with the features of a shareholding company itself, using staff member and worker shareholding as a means of forging an organic link between them and the overall interests of the corporation.

The theoretical basis for staff members and workers holding shares lies in our belief that a pure capital equity system under early capitalist conditions will lead to an antithesis between labor and capital, which is not in keeping with today's needs for enterprise development in the SEZ. Various elements such as labor are likewise requirements of crucial importance in the creation of added value. Nevertheless, one cannot give staff members' and workers' shares for their labor alone. Therefore, a meeting of our stockholders passed a motion, and our charter provides that each time more shares are issued, the board of directors may set aside 10 percent of the amount issued for sale to staff members and workers in the corporation system, such shares not to be transferred for a period of two years. During the past three years of operation of the share system, this measure has produced fine results, which have been manifested primarily in the following regards: 1) The enterprises' staff members and workers have become owners of the enterprise in fact as well as in name; their benefits derive not only from direct labor compensation in the form of wages and bonuses, but they also participate in the distribution of the enterprises' surplus profits. While strengthening the enterprise self-limiting system, this also facilitates contacts between the management level and stockholders, and the operation of the enterprise itself. The staff members and workers in enterprises can represent other stockholders in society in carrying out effective supervision over the enterprises' management. They can publicize the corporation's correct development policies to stockholders in society. In addition, enterprise staff members and workers holding of shares constitutes a new collective form of ownership in the enterprise share structure, which is in keeping with the basic principles of socialism.

#### **(2) Search for effective share system modes of enterprise management that are in keeping with overall SEZ reform and market development requirements.**

With the steady increase in the degree to which the market operates in the economy of the SEZ, the advent of equity transfers, the merger mechanism, and other various means by which a melding of equity occurs, the make-up, scale, and methods of enterprise operations have become increasingly broad. In a nut shell, they have developed from traditional, and purely productive, business operations using their own accumulations as a source of development funds to open conglomerate-like operations engaged in the administration of equity and assets at the same time, the latter providing enterprises with greater development opportunities. To meet the needs of this situation, corporations have made corresponding changes in their organizational structure, decision making system, and the skills their personnel possess. For this purpose, during the last half of 1990, this corporation conducted a complete reform of its management system.

The basic framework for the current management system is as follows. A greater and greater role for the board of directors as the key player in making operating decisions. In its closed-door sessions, which the chairman of the board chairs, the executive committee, finance committee, and the capital and securities committee perform some of the functions of the board of directors, becoming the nucleus for policy decisions, supervision and control, financing, and capital matters. The general manager administration and management level is responsible for the corporation's day-to-day administration and production operations. The general manager acts on behalf of the production management system. The capital and securities committee and the finance committee act on behalf of the capital management system, and it also holds financing and financial supervisory functions. Each committee has its separate functions, which are mutually restrictive, the strengths of one cancelling out the weaknesses of another.

### **4. Problems To Be Overcome in the Present Operation of the Share System, and Suggestions for Their Solution**

The most prominent problems today in the operation of the SEZ share system show up mostly in policies. One is that the supply of shares does not meet demand. Today there are only five listing companies. They cannot satisfy the enthusiasm for investment of the public at large, and consequently the stock market showed a wild rise for a time. This was followed by a long-term stock market freeze, which damaged shareholders' confidence and caused a sustained decline in the stock market. At the same time, it occasioned extreme hardship for corporation operation and management. Original plans called for fulfillment of investment goals through an increase in shares, but the failure to raise capital promptly through the collection of money paid for shares led to an increase in the percentage of corporations' bank loans, which lowered the financial security coefficient of enterprises.

We believe that current stock market policy is extremely disadvantageous to social tranquility and economic development of the SEZ. We recommend earliest possible approval of an expansion of the shares of existing share corporations, and earliest possible selective promotion of share listings by a number of representative corporations in all kinds of industries to enable the continuation of reforms that have been hard won and from which results are already visible.

### Shenzhen Development Bank Experiences

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#### [Text] The Shenzhen Development Bank

The Shenzhen Development Bank is a largely publicly subscribed, independently operating regional share system commercial bank responsible for its own profits and losses that was founded to meet objective requirements for development of the Shenzhen SEZ in accordance with the CPC Central Committee policy of "reform and opening to the outside world," and the guiding thought of deepening financial system reform and setting up various kinds of financial organizations.

This bank formally opened for business in December 1987 as a pilot project in reform of the Shenzhen stock share system. Acting under leadership of the Shenzhen Municipal CPC Committee, the Municipal People's Government, and the People's Bank during the past three years since its founding, and guided by state economic and financial work plans, the Shenzhen Development Bank has adopted a pioneering and progressive spirit in actively exploring stock share system reform. It has also used the increasing attention of all quarters of society to better economic returns and social benefits to try out some new experiences in stock share system reform.

#### 1. The Basic Situation in the Bank's Share System Since Reform

This bank was founded and developed out of six rural cooperatives in the SEZ. This original foundation was weak. Not only was the scale of its professional activity small, but the quality of its personnel and its management level were both extremely low. These credit cooperatives, which were formerly under the Bank of Agriculture control, had a collective ownership system. In the course of the share system reform, their links with the Bank of Agriculture were dissolved. They were reorganized in accordance with share system principles, state-owned enterprises, collective enterprises, and city and countryside residents who became shareholders. In May 1987, the bank's renminbi ordinary shares were sold for the first time to the public through open subscription. Later on, as its business expanded, it increased its capital through increased sales of shares at three different times. This included two open issuances of foreign exchange preferential shares during 1988 and 1989 for the purpose of raising capital for its foreign exchange business. By the

end of 1990, this bank had taken in from state-owned enterprises, collective enterprises, and individuals money from shares totaling 88.43 million yuan (including the value of the preferential shares converted to renminbi, and the premium price of the ordinary shares issued). Thus, the bank's share system reform was accomplished through the form of the bank ownership. In the course of the share system reform, we maintained cooperation in accordance with the principle of comparative scale. The allocation of shares was organized in two parts: juridical person shares and individual shares. The management system consisted of shareholders meetings and a board of directors. The shareholders meetings were the highest organ of authority of the bank, and the board of directors was the bank's permanent organ of authority. In order to facilitate work and management, a standing board of directors was also provided for. It exercised day-to-day supervision and control of the bank's operations. In administration and management, a general manager responsibility system was instituted under leadership of the board of directors. In order to increase the transparency of administration and management, detailed data were provided annually to the shareholder's meeting, including the annual work plan, the annual budget, and the annual final accounting, as well as profit distribution plans and plans to increase shares to increase capital. The board of directors' remuneration also had to be approved by the shareholders' meetings. Once every six months, an audited financial report had to be published in the newspaper, and the bank was subject to supervision from the shareholders and the public.

Following share system reform, the bank had substantial autonomy in administration and management. In order to open up new prospects and take on a new look, the bank adopted a series of internal reform measures including reform of personnel management system and labor wage management methods, which fully embodied the principles of "work assignment according to ability," and "distributions according to labor." Within the bank, we did not retain the former personnel job and wage grades. Instead, we redesignated position titles and wages on the basis of people's knowledge and actual work capabilities. We also provided for regular assessments and readjustments that linked personnel earnings to the economic returns of the unit. At the same time, we also demolished the "lifetime cadre tenure system" for managerial personnel in all departments and subordinate agencies, and instituted a hiring system that required both political integrity and ability and allowed for promotions and demotions. These reforms very greatly aroused the interest in work and the zeal of personnel. As a result, within the short space of three years, profound changes occurred in the bank's image. By the end of 1990, the bank had nine branches, one business department, and 54 small local branch sites. Personnel also increased to more than 600 from the slightly more than 100 when the bank was founded, more than one-half of them possessing a special or secondary technical school education. By the end of 1990, the

bank's savings account balance amounted to 2.325 billion yuan; its loans outstanding balance was 2.012 billion yuan, and it made a profit of 101.29 million yuan. This was a 3.21, 5.26 and 11 fold increase respectively over the end of 1987, the year the bank was founded, and profits amounted to 171,600 yuan per bank member. In the several years since its founding, the bank's speed of growth has surpassed that of all other specialized banks in Shenzhen.

During the past three years, the bank has moved ahead, actively tapping potential in all regards. While energetically putting savings deposits to work, it has actively issued loans. As of the end of 1990, it had issued a cumulative 4.5 billion yuan in loans to meet the need for funds of thousands of industrial and commercial enterprises in Shenzhen. In addition, during the 4 year period 1987 through 1990, it paid 82.5 million yuan in taxes to the state and local governments. During 1990 alone, it paid 40.49 million yuan or 68,606 yuan per bank member in taxes.

After reviewing reform and experimentation during the past three years, we have full confidence in prospects for share system reform. The bank's practice with reform shows the positive significance of share system reform in the following regards: First of all, no longer does the state bear responsibility for how well a share system enterprise produces. Instead, the shareholders carry the burden. This gets rid of the long standing situation of enterprises "eating out of a large common pot" no matter their performance with the result that enterprises have truly become independent juridical persons responsible for their own profits and losses. They possess substantial autonomy in administration and management, and their vitality is quite strong. Second, it enables relations among the state, collectives, and individuals to be expressed both in close linkage on economic returns, and mutual restriction of responsibilities, authority, and benefits for the formation of a self-regulating and self-restricting mechanism in enterprises. In addition, the "sharing of risks and the sharing of benefits" among collective shareholders, individual shareholders, and bank personnel has become a powerhouse suffusing the bank with vitality, its personnel radiating greater zeal and creativity, thereby spurring greater economic returns. Third is by issuing share certificates, share system enterprises have channeled consumption funds into the investment in production, thereby opening up direct financing channels. Fourth, in becoming a shareholder in share system enterprises through the medium of state-owned enterprises, the state is able to use economic rather than administrative means to supervise and control enterprises, and to ascertain and act on the overall orientation of enterprise development. This demonstrates the state's ability to control the economy through relatively small investment.

## 2. Some Methods Used and Experiences Gained in the Bank's Reform of the Share System

(1) Complete control of the socialist orientation of the bank's development, maintaining its basic character in which public ownership is primary is the basic line of thought in reform of the bank's share system.

Banks are state monopolies, and they are important tools for state regulation and control of the national economy. China practices public ownership of the means of production, and this basic attribute dictates that bank share system reform must adhere to the public ownership system. One important criterion for judging the ownership of share system enterprises is an analysis of property ownership relationships within a share system enterprise. In order to ensure public ownership in the bank, from the day it was founded, we filled the charter with a guiding thought in which public ownership was paramount, and we explicitly provided percentages of juridical person shares and individual shares. Later on, although more shares were issued at various times to increase capital, we always made sure that publicly owned shares predominated. This property ownership system fundamentally assured that leadership authority for the bank was always firmly in the hands of the state in both shareholder meetings as well as in board of director and standing board of director meetings. It ensured that the bank would be able to strictly carry out the plans and policies of the party and the state in administration and management, thereby enabling the bank's share system reform to develop healthily in a socialist direction.

(2) Active exploration of roads for the development of share system enterprises, preliminarily establishing self-development, self-limitation, and self-perfection enterprise mechanisms.

As an independently accounting share system commercial bank responsible for its own profits and losses, the economic returns of shareholders and bank personnel are closely linked to the bank's economic returns. All parties must worry about how well the bank performs and whether it succeeds or fails. The interests of one party cannot sacrificed at the expense of the interest of another. The bank must be spurred to advance consciously in the direction of self-development, self-limitation, and self-improvement. Since its founding, the bank has always devoted exceptional attention to expanding the amount of its capital and accumulating funds itself as its business expands. Not only has it had to replenish a substantial amount of accumulation funds each year, but it has also issued additional shares three times to increase capital. During the three years since the bank was founded, the amount of its own funds has increased from somewhat more than 10 million yuan to nearly 180 million yuan, thereby exceeding the speed with which its business has developed. Consequently, reserve strength needed to develop the bank is available. In the management of funds, the bank has always sought balance, actively working to bring in more savings to

expand its source of funds for a steady increase in its funds self-sufficiency rate. During the period 1987 through 1990, the bank maintained a better than 90 percent rate of funds self-sufficiency. In its use of funds, the bank has emphasized the principles of security, fluidity, and benefit. It has mostly used loans secured by collateral to ensure loan recompense. Such mortgage loans now account for more than 60 percent of all the bank's loans. In administration and management, the bank has instituted a "management by objective responsibility system," that links multiple assessment criteria including savings, loans, profit, expenses, and quality of service to bank personnel earnings.

In the correct handling of distribution relationships, in particular, the bank has proceeded from safeguarding its basic public ownership character in correctly handling the relationship among the interests of the state, collectives, and individuals. In the distribution of profits since founding of the bank, 45 percent of total profits have been retained for the bank's accumulations and reinvestment. Distributions to the state and collectives have accounted for 38 percent of profits, and 17 percent have been distributed to private shareholders and bank personnel. The foregoing distribution situation shows that an overwhelming majority of the bank's profits (more than 80 percent) goes to the state and collectives.

This limiting mechanism in share system enterprises overcomes the problem of a lack of clear-cut equity relationships in state-owned enterprises, the lack of enterprise vitality, and short-term behavior for an infusion of new vitality in the development of enterprises.

(3) This bank's role in being the first to market shares publicly in Shenzhen as well as in taking the lead in issuing ordinary stock share certificates that later sold at a premium was of significance in fostering and increasing people's interest in investing. It held positive significance for reform of the share system, as well as in raising capital for the state to build production.

Since its founding, the bank has openly issued to the public both ordinary renminbi shares and preferential shares denominated in Hong Kong dollars. The first issuance did not go off smoothly by any means. Only 59 percent of the planned issuance of ordinary shares was completed. In April 1988, the bank publicly marketed shares from the Shenzhen Special Economic Zone Negotiable Securities Corporation. When they first went on the market, since people did not know what shares were all about, "takers were few," and trading was flat. Later on, as a result of the rather good anticipated benefits from the bank's operations, people began to realize that although shares carried risks, they were an investment choice from which a profit could be made. Thus, "development shares" penetrated people's mind and the market trading price steadily rose in turn. Then, we saw a good opportunity. With the second issuance of shares to raise capital, we sold ordinary shares at a price double their face value. During the third issuance in 1990, the price was 3.56 times face value. As returns from the

bank's operations steadily improve, we may be able to issue new shares at an even higher price. This share issue price that is higher than the face value shows that modest increase of a small number of shares makes it possible to soak up more funds. Moreover, the pressures that the enterprises issuing the shares bear in paying interest and distributing dividends does not increase in proportion to the issue price. The foregoing situation shows that investors no longer have as their main goal high dividends; instead they are turning more toward income from the market price spread for share certificates. Clearly, once people's interest in investment is piqued and the stock market matures, the state will be quite able to use the issuance of shares as an important channel for raising funds for production and construction. This holds major significance for acceleration of the country's economic construction.

**Shenzhen Wanke Enterprise Share Corporation**  
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No. 3, 20 May 91 pp 47-49

[Article: "Shenzhen Wanke Enterprise Share Corporation"]

[Text] The Shenzhen Wanke Enterprise Share Corporation was founded in May 1984 as the "Shenzhen Modern Science Teaching Apparatus Exhibition and Sales Center." It was an enterprise under ownership of the whole people under jurisdiction of the Shenzhen SEZ Development Corporation. In November 1988, the corporation completed reform of its share system and adopted its current name. It publicly issued both inside China and abroad 28.08 million shares having a face value of 1 yuan each to become the first industrial and commercial enterprise in the country to market shares internationally.

**1. Preparations for Share System Reform**

1. Proposal to "reform the share system in accordance with international practice." As a publicly listed industrial and commercial enterprise, the Wanke Corporation is particularly charged with attracting share purchases by foreign capitalists. In the absence of clear-cut national and Shenzhen municipal laws and policy regulations at that time, were we free to sell shares abroad? Or would it be better to study existing successful experiences abroad? These were the two choices we faced. We invited the Hong Kong Hsin Hung Chi Securities Corporation to provide advice. Then, we formally adopted the slogan and the stance of "share system reform in accordance with international practice" to set a precedent whereby an overseas professional organization investing in Shenzhen guided reform of the share system on a state-owned enterprise scale.

2. The corporation charter fully guarantees the rights and interests of shareholders. In the process of drafting the "share corporation constitution," which is the share corporation charter, we held fast to the basic principle of responsibility to shareholders, and protection of the rights and interests of shareholders. The drafting team reviewed the "corporate law" of different countries and territories including the United States, the United Kingdom, the Federal Republic of Germany, Japan, Hong Kong, and Taiwan, as well as pertinent domestic

laws and regulations. It traveled back and forth between Shenzhen and Hong Kong on many occasions to receive advice and guidance from professionals in both places, constantly improving the legal provisions of the constitution, and revising concepts. Whether the Wanke corporate charter should read "satisfy both shareholders and staff members and workers" or "satisfy shareholders" provoked round after round of debate. Wanke's charter was revised a total of 13 times.

**3. Publication of full particulars about the corporation.** According to foreign listing corporation standards and regulations, before shares may be listed, details about the corporation, its financial report, its use of capital, and its profit projections must be made public to meet the corporation's responsibility to the public and to accept public audit. This is required to enable the public to decide under fairly "transparent" conditions whether or not to invest. At that time, not a single enterprise in the country made such an effort. Given a situation in which the public lacked sufficient understanding and standardization would not necessarily be widely accepted, such open publication of all data required plenty of courage and tolerance. A full page announcement of full company particulars that appeared in a party newspaper following establishment of the people's republic under the title "Open Letter on Raising Capital By Floating Shares," was just such a courageous effort. It was this method that all Shenzhen corporations making new share listings decided to adopt subsequently.

**4. Within the enterprise, patient and painstaking work was done among all staff members and workers.** The conversion of Wanke Corporation from a state-owned enterprise to a listed share corporation was naturally bound to produce a series of ideational shocks and changed conditions for staff members and workers. In order to reduce internal obstacles, staff member and worker doubts and suspicions had to be objectively and realistically resolved.

## 2. Peculiarities of Wanke Corporation Share Ownership

Wanke Corporation shares totaled 41.31 million, 28.08 million of which were sold in China and abroad.

**1. Share Ownership.** The state and juridical persons in the country (including state-owned enterprises, collectives, and joint ventures) held 43.6 percent of shares, foreign investors held 26.1 percent, enterprise staff members and workers held 12.8 percent, and individuals held 17.5 percent.

**2. Different Kinds of Shares.** Two years earlier, Wanke Corporation shareholders numbered 2,400. Two years later, they numbered more than 14,000. The total shares that the state and juridical persons in the country controlled totaled 43.6 percent for a leading position. The methods used to attract foreign investor share purchases attracted capital more quickly than the running of three kinds of partially or wholly foreign-owned enterprises, but the enterprise could not withdraw the capital. The shares that staff members and workers in the enterprise

held serve as a source of funds for solving staff members and worker housing problems and for providing basic welfare benefits to staff members and workers. They played a long-term role. The share that individuals owned actually amounted to the transformation of private individuals' savings or disposable consumption funds into listed corporation production funds.

## 3. Formation of New Listing Corporation Mechanism

After the state-owned enterprises became a listed corporation, the enterprises' internal mechanism was put on a sound footing.

**1. The capitalization mechanism changed.** No longer was there largely only a single source of capital and a unitary structure. Funds hidden away and scattered throughout society could be used as operating funds capable of creating wealth, and new avenues were opened for the use of foreign capital, which helped enterprises finance their own expansion.

**2. In the operation of the limitation mechanism, listing of shares required a clear definition of production and ownership authorities through breaking free from the former rigid and ineffective administrative restraints in favor of effective public restraints.**

**3. In the management mechanism, thanks to the greater transparency required following the listing, the supervision of shareholders, and the attention of people in all walks of life, enterprises bent efforts internally to the building of a standardized management system and flexible and highly effective management methods.**

**4. Regarding the stimulation mechanism, the listing of shares improved the enterprise's reputation, thereby stimulating all staff members and workers in the enterprise to forge ahead actively, to be industrious and thrifty, to be innovative, to work hard at improving the enterprise's operation, and to seek to develop the enterprise, while simultaneously developing themselves.**

## 4. Building of a New Enterprise Structure

**1. The skilled personnel structure began to get better.** Both shareholders and the public urgently hoped that the corporation would produce satisfactory returns, but ensuring returns required ensuring the availability of skilled personnel first of all. The listed corporations' name recognition and rapid development momentum provided greater opportunities for taking in outstanding talent, and it also made it possible to hire more talent. Among listed corporations in Shenzhen, beneficial competition for talent took shape early on.

## 2. Greater Stability in the Industrial Structure.

**Business and Trade.** The corporation's main business during the early period was in specialized camera, recording, and video equipment, and it established a close professional relationship with the Japanese SONY and JVC corporations. In 1988, Wanke had 60 percent of the domestic camera, recording, and video equipment

market. In 1989, its exports earned more than \$10 million in foreign exchange. Today, the emphasis of Wanke's trade business has shifted from the importation of electrical appliances to organization of the export of electrical appliances produced in China, and it has gone into the international entrepreneurial trade in the preliminary formation of super-national business operations. Wanke has already won initial success in penetrating the domestic retail business market.

**Industry.** Beginning in 1988, Wanke selectively entered into the operation of joint venture and contractual enterprises with the United States, the United Kingdom, Italy, and Hong Kong. These enterprises are engaged in printing, industrial design, and the industrial production of precision machinery, electrical apparatus, clothing manufacture, watches, and gold and silver jewelry.

**Real Estate.** After doing business for only two years, real estate is the fastest growing business in the Wanke organization and has earned substantial returns for Wanke as well. Wanke's "Skyview Gardens" housing

community has become the most successful housing community built in Shenzhen. As a result of its success in the development of low-rise housing, Wanke has begun to invest in the building of high-rise office and residential buildings.

**Culture and the Broadcasting Industry.** The advertising design and the yingchi (1736 6018) manufacturing that Wanke does for public broadcasting demonstrate real strength among others in the same business. The establishment of name recognition gained through listing as a share corporation, and the planning and operating capabilities of Wanke in the cultural and broadcasting industry have jointly played a leading role in the corporation's development.

### 5. Several Measurement Indicators

**1. Fine Operating Achievements.** The role that share system reform has played in the growth of the Wanke Corporation finds expression in the corporation's fine business achievements. The following table shows the success resulting from share system reform.

Wanke Corporation 1988-1990 Business Performance Table. Units: Million Yuan

Year	1988	88/89	1989	89/90	1990	90/91
Business Volume	101.0	+11%	234.87	+23%	218.44	-5%
Before Tax Profits	9.83	+2.7%	12.48	+21.4%	21.67	+12%
After Tax Profits			11.37		17.37	+34.5%
Net Assets	13.6	+8.7%	48.6	+217%	51.45	+5.7%

2. State-owned assets have greatly increased in value, state-owned shares, and shares owned by domestic juridical persons being the greatest beneficiaries. These include the following. The Shenzhen Municipal Investment Management Corporation, which holds 7,948 million shares or 19.23 percent of all shares. These shares, which originally had a value of 7,926 million yuan, were valued at 9,378 million yuan on the basis of net assets in 1989 for an 18 percent increase in value. In 1990, their value increased to 13,432 million up 43 percent from 1989. In 1989 state-owned shares earned 1,311.4 million yuan in dividends. Dividend shares of 1,589.6 million are to be paid for 1990. Figured at current market value, the state's shares are now worth more than 1.19 billion yuan having increased in value 14 fold within two years.

3. Increase in tax payments to the state. During the past two years, Wanke has paid taxes to the state totaling 5.01 million yuan, a sum equal to Wanke's pre-share system reform profits for a year.

4. Assistance to state-owned enterprise share system reform. As a corporation that began the marketing of shares fairly early on, Wanke willingly shouldered the burden of helping state-owned enterprises carry out share system reform. Using Shenzhen's industrial policy and Wanke's own development plans as a guide, and drawing on its own successful experiences in transforming Wanke from a state-owned enterprise to a share

system enterprise, Wanke applied its own standardized and highly efficient management methods and turned to advantage its own considerable strength in able personnel. It used Wanke's own marketing ability in sales in sales promotion techniques to help promising state-owned enterprises reform their share system, employing mergers and buy-outs in the process to put them on the track of share system enterprises. It built vigorous and highly efficient management systems that produced fairly high returns. This also helped Wanke itself in adopting measures itself to build an enterprise of a certain size and to benefit from the overall economy of scale.

### 6. Increase in Assets, Expansion of Shares, and Optimum Use of Idle Funds

1. Internal reasons for enterprises' increased capital and expanded shares are: realization of satisfactory profit norms, formation of a fine framework for future development, and rational need for capital.

2. Assimilation of citizens' savings. Huge amounts of citizens' savings were turned into production capital, the increase in assets and the expansion of shares being the best way of doing this.

3. Rather good choices made in state investment of funds. A substantial portion of state-owned enterprises

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in which the state has invested capital currently do not produce very good returns. The state's choice in investing in listed corporations, which produce fairly high returns, was a rather good one.

**Shanghai Feile Sound Equipment Corporation**  
*91CE0692D Chongqing GAIGE [REFORM] in Chinese  
 No. 3, 20 May 91 pp. 33-35*

[Article: "Shanghai Tempest Sound Corporation"]

**[Text] Retrospective**

The Shanghai Feile Sound Corporation (hereinafter called the Corporation for short) was organized with the sole support of the Shanghai Feile Tempest Electric Sound Corporation (the present Shanghai Feile Share Corporation). It was founded in November 1984 as a share system enterprise after the directors of the Shanghai Branch of the Chinese People's Bank approved share system enterprises issuing share certificates abroad. It became one of the first pilot project units in the Shanghai municipal share system.

**I. Origin**

The former Shanghai Feile Electric Sound Corporation was originally founded in 1980 after the Shanghai Municipal Instruments and Telecommunications Ministry Bureau approved it as a joint state-owned/collectively-owned enterprise made up from the merger of three plants, namely the Shangwu No. 11 Plant under ownership of the whole people, the collectively owned Shanghai Electronics Parts Plant No. 10, and the Shanghai Feile Broadcast Equipment Plant. This merger was based on the 16 character policy that the State Council promulgated in 1980 of "use advantages to the full, make the most of strengths while avoiding weaknesses, protect competition, and promote integration." However, numerous policy difficulties that hurt the development of productivity resulted from the integration of two different systems of ownership. In accordance with the three no-change principle (no change in the character of the ownership system, no change in channels for payments to or disbursements from the central government, and no change in personnel staffing), an enterprise under a dual state-owned and collective system prepared four sets of reports and was subject to direction from many different leaders. If productivity were to be increased, a way of getting rid of the trammels and troubles that hampered it would have to be found through the deepening of reform.

Thus, consideration was given to the trial operation of a new share system economic method in which four units initiated the raising of funds, got plant staff and workers to buy shares, and issued a suitable number of shares for sale in society at large, thereby organizing the Shanghai Feile Sound Corporation.

**2. Share Changes.**

Immediately following its founding in 1984, the four sponsoring units put up 250,000, which was 50 percent of the corporation's registered capital. The remaining 50 percent derived from staff and worker share purchases, and from the sale of shares to individuals in society at large. In the beginning, the registered capital of 200,000 yuan was divided among 10,000 shares, each sharing having a face value of 20 yuan. Later on, changes were made in the shares that the four founding units held. Because of a rule prohibiting banks from investing directly, the Shanghai Jing'an District Office of the Industrial and Commercial Bank withdrew its shares. As a result of the cancellation in 1987 of an executive type corporation, the Shanghai Municipal Electronic Parts Industrial Corporation transferred its shares, and the Shanghai Feile Broadcasting Equipment Plant used additional funds that it had to transfer shares to the Shanghai Feile Corporation.

Because of professional development requirements, in early 1989 the corporation increased its capital through the sale of additional shares. Share capital today amounts to 1.65 million yuan from 330,000 shares. This includes 7,000 shares, or 21.2 percent, held by the founding units, the remaining 26,000 shares, or 78.8 percent, being held by individuals.

Open over-the-counter trading in corporation shares began in September 1986 resulting in a steady change in individual shareholders. The number of individual shareholders decreased to 3,500 from the 4,300 when the corporation was first founded.

**3. Results Since Founding of the Corporation.**

Since its founding, the corporation has provided sound equipment for more than 120 projects including guest houses, athletic fields (and arenas), industrial and mining enterprises, government organizations, institutions, theatrical troupes, airports, railroad stations, entertainment areas, outdoor theaters, indoor theaters, auditoriums, dance halls, tea houses, and propaganda and education centers. The corporation has contracted to design, supply, install, and debug equipment, train personnel, and provide maintenance. The corporation's contracts have been not only for projects in 14 provinces and municipalities inside China, but for a theater in Somalia and an athletic field in Somalia's capital, as well as for a complete sound system in the national theater of Burma. The corporation has competed not only inside China but internationally as well. In 1986, it took part for the first time with eight foreign corporations (from the United States, Japan, the United Kingdom, the Netherlands, and Hong Kong) in competitive bids for a complete sound and video frequency project for the 43 story 5-star class Xinyin Jiang Guest House in Shanghai. The project has been completed, and the customer is satisfied.

The corporation sells mostly complete Feile brand sound equipment, and it also sells complete sound systems

made by Yamaha in Japan and Ross in the United States. It has expanded its business now, adding sales of imported electronic musical instruments and lighting equipment for theater stages and dance halls. Business network outlet points and customers are now located in every province and autonomous region of China with the exception of Taiwan Province.

The corporation has shown rather good economic returns from the date of its founding until the end of 1990, and has contributed to the state's tax revenues.

#### 4. Share System Pilot Projects

The corporation has made "six first" contributions to share system pilot projects.

1. Following approval from the Shanghai branch of the Chinese People's Bank in November 1984, the corporation was the first in Shanghai to issue share certificates to society at large in the beginning of a share system pilot project. At that time, quite a few enterprises issued share certificates and bonds internally. Many of these internal share certificates carried a redemption date, which means that they were like bonds but were for the same purpose as share certificates. Share certificates sold to society as a whole came from the Shanghai Feile Sound Corporation.

2. In September 1986, the Investment Trust Corporation of the Chinese Industrial and Commercial Bank's Shanghai branch initiated over-the-counter trading in negotiable securities. The shares of the Shanghai Feile Sound Corporation and the Yanzhong Industrial Corporation were the first two approved for over-the-counter trading. The beginning of open share certificate transfers, which produced a market price, and provided initial impetus to the invigoration of financial markets.

3. On 14 November 1986, Comrade Deng Xiaoping met a delegation in Beijing headed by Mr. John Flanerry [as published], chairman of the board of directors of the New York Securities Exchange. At that time, Mr. Flanerry was regarded as the "Reagan" of America's financial world. He presented to Comrade Deng Xiaoping a gold key to the New York Securities Exchange symbolizing that the main entrance to the New York Securities Exchange would always be open to China. As a return gift, Comrade Chen Muhua presented a 50 yuan Feile Sound Corporation Share Certificate to Mr. Flanerry, making him the corporation's first foreign shareholder. Doubtlessly, this increased the international effect of China's reform and opening to the outside world.

4. In May 1987, the Shanghai Economic Information Consulting Corporation of the Chinese Industrial and Commercial Bank began an economic evaluation of enterprises. The Tempest Sound Corporation was the first such enterprise selected for evaluation. Experts were assembled to conduct the evaluation, present factual data, and grade the corporation. The corporation

received a first class credit rating, and a premium credit grade certificate was issued to it.

5. In March 1989, the Corporation approved the first increase in capitalization through an increase in shares. The method used was to take back from old shareholders some shares that had increased in value in return for providing them additional shares at no cost.

It was the first corporation in the share systems pilot project to issue additional shares at no cost. This enabled the original share certificate holders to taste the advantages gained the sharing of profits resulting from an increase in the value of share certificates when they formerly obtained only received dividends and bonuses as from savings accounts. This was the first taste of the benefits to be obtained from switching from savings accounts to investments.

6. The corporation was the first to institute equal equity, the same kinds of shares yielding the same dividends, the same dividends being paid on the shares of units and individuals.

#### Understanding Gained From the Pilot Project

1. A share economy is a mixed economy made up of economic components including enterprises under ownership of the whole people, collectives, and individuals. It is no longer made up of a single economic component. When a commodity economy exists, it is a new form of economic organization that is bound to arise. It can get around the problem that the former Shanghai Feile Electrical Sound Corporation had as a result of its being a joint state-owned and collective partnership enterprise. Under that form of dual organization, the enterprise had to file four separate reports, was under jurisdiction of tax departments in charge of both enterprises under ownership of the whole people and collective enterprises, and was subject to the limitations of different policies for each. Now it has but one department to which it is responsible for taxes, and it is able to give free play to its capabilities and exercise its vigor as policies permit.

2. Setting up a share system enterprise does not require much state investment. Idle funds in society can be assembled, and funds that might otherwise be used for consumption can become production capital to create new wealth for the country. Just as corporations can be established without state investment of a red cent, even though the shares that units buy are collective funds from the units concerned, an overwhelming majority of shares are held by individuals. Tax payments to the state of 3.219 million yuan during the past six years have increased the state's revenues. During the past six years, shareholders have recovered 1.4 times their investment, and the enterprise has also accumulated capital. This attests to the benefit to both the state and the citizenry.

3. The new share system enterprises have entirely broken free from the old employee system, and the egalitarian eating out of a large common pot difficulties that existed in enterprises under ownership of the whole people and

in collective enterprises. When the corporation was founded in 1984, all personnel, including the corporation manager, were openly taken on in the Feste Electric Sound main plant through competitive examinations and public notices calling for applications. Eighty of the best "stalwarts" were selected on the basis of written performance and face-to-face interviews. All new members entering the corporation had to go through a half year probationary period. The corporation practiced a turnover of personnel that permitted both parties a choice.

**4. The marketing of share certificates invigorated financial markets.** For the share system enterprises, the goal of shareholders initially in purchasing share certificates was to get an interest rate higher than the one that banks paid on savings. This was classic savings behavior, which put share system enterprises under pressure to pay high dividends and bonuses. Once spot share certificates went on the market, shareholders could additionally realize an increase in the value of their equity plus returns from changes in the market price of their shares resulting from the corporation's reputation. Shareholders also understand that investment carried risk. They were unlike savings accounts from which a harvest could be assured come drought or waterlogging, so to speak. Thus, in changing from savings to investment, shareholders did not buy only shares yielding high dividends and bonuses. That it was possible that the dividends and bonus rate might decline, thereby increasing enterprise accumulations and increasing their ability to develop while reducing pressure on them. When additional shares were marketed, this did not cause a withdrawal of shares. When investors urgently needed funds, or when units wanted to change their investment venue, this produced a marketplace for the mutual exchange of equity. It brought about free vehicle and investment orientation for spot funds that helped invigorate the commodity economy.

#### Problems Found in the Pilot Project

**1. Although the central government affirmed continuation of the share system pilot projects that has run for the past six years, the pilot project lacked orderliness.** China still does not have a "corporate law" or a "negotiable securities exchange law," etc. Even though "share corporation regulations" and limited responsibility company regulations have been pondered for many years, they have been slow in coming. Thus, the share system pilot project had no precedent it could follow, and it had no laws on which it could rely. Separate government organs in charge have not yet fully reached a consensus about the share system. Consequently, in the implementation, enforcement and explanation of specific policies, a lot of disagreement exists with the result that pilot project enterprises in the share system pilot project are at a loss as to what to do.

**2. Today, Shanghai's 11 pilot project enterprises are of every kind and description.** Some of them have extended policies applying to ownership by the whole people in

their management, others have applied a management system that applies to collectives, while still others use a combination method that applies to both state-owned and collective enterprises. Some use the cooperative ownership system, and some use township and town enterprise policy management. There is no single share economy policy or unified management. Thus, tax policies differ between one unit and another. Some pay a 5 percent income tax, and after implementation of the share system, they still repay loans before taxes. Irreconcilable differences of opinion exist about jurisdiction before tax loan repayment assets. Some pay a 5 percent tax income tax and repay loans after taxes. Some employ an eight bracket progressive system of income tax payments, etc. The accounting ledgers of different units are also of many kinds and are under separate jurisdiction. Publication of financial status reports for shareholders requires additional redrafting of balance sheets and profit and loss statements. The way in which individual pilot project units' organs of authority such as the shareholder representative assembly system and the board of directors operate also varies widely. To summarize the foregoing, the share system pilot projects urgently require standardization.

**3. Taxes damage enterprise development excessively.** After our corporation began paying a 5 percent income tax, it had to pay an additional 15 percent into an energy, transportation and construction fund, and 10 percent into a state budget regulation fund. These taxes and funds enabled the state to take away 66.25 percent of the enterprise's profits. Out of the 33.75 percent after-tax profits, the enterprise had to withhold money for the staff member and worker bonus and welfare funds, and pay dividends and bonuses to shareholders. At the same time, it had to deduct dividends and bonuses for payment to individuals, as well as an individual income regulation tax (which is, in fact, also an after-tax profit distribution). What remained after all this was a fund for the development of production. Take the corporation's 1989 profit of 592,200 yuan, for example. Income taxes, the energy and transportation fund, the budget regulation fund, and individual income readjustment taxes on individual share shareholder's dividends and bonuses required payment to the state treasury of 440,700 yuan, or 74.42 percent of actual profits. After additional distributions to staff members, workers, and shareholders, only slightly more than 30,000 yuan remained as an enterprise development fund. This was only 6 percent of actual profit. At a 2 percent stock capitalization, and a state-published 17.8 percent rise in the price coefficient, this meant the enterprise realized a decrease rather than an increase in capital. Excessive tax burdens bind enterprises hand and foot.

**4. Theoretical study of the share system blows hot and cold.** It is never deep and pervasive. Theoreticians should make a thorough study of the correlation between the share system and the commodity economy, the role of the share system in the preliminary stage of socialism, the problems that share systems encounter, and how to

give guidance to pilot projects, etc. The pilot project enterprises themselves urgently need guidance and publicity to point the direction for enterprises and to create the external conditions and support needed after all parties reach a consensus.

### Television Manufacturer's Experiences

9/CE069/E *Chongming GAIKE (REFORM) in Chinese*  
No 3, 20 Mar 91 pp 35-38

(Article "Shanghai Electronic Vacuum Devices Corporation")

[Text] The Shanghai Electronic Vacuum Devices Corporation (hereinafter termed the Corporation) was the first enterprise under ownership of the whole people permitted to try out the share system in Shanghai at the end of 1986.

#### 1. Founding of the Corporation

The Corporation was founded as part of the economic reform and out of the need for progress in production technology. In addition to the objective situation that led to the founding of the Corporation, there were also three main internal factors involved.

#### 1. Change from working together closely to internal enterprise production relationships.

The Shanghai Electronic Tube Plant, the Shanghai No 2 Electronic Tube Plant, the Shanghai No 4 Electronic Tube Plant, The Shanghai Light Bulb Plant, and the Shanghai Kinescope Glass Factory were integrated plants producing mostly black and white kinescopes. Kinescope production is capital intensive and technology intensive. It is an industry requiring fairly intensive integration of production and a complex production process. With the development of socialized large scale production, and a steady rise in the degree of specialization, the need for better organization of production became increasingly great. This gave impetus to a further forging of close links in the entire production process. External close cooperation among the various plants gave way to internal enterprise production under central direction. As a result, the rational flow within enterprises of all the elements of production for individual plants as well as the optimum allocation of resources brought greater results from production and increased enterprise vitality.

#### 2. Readjustment of Product Mix To Surmount Latent Risks Common to All the Plants.

The principal product of all five factories was black and white kinescopes or spare parts. It was a single product operation that is very much affected by the market for black and white television sets. Consequently, it was impossible to free from latent risks. Earliest possible change to more greatly diversified leading products for a widening of the business field required even greater cooperation in the organic division of labor, and closer links. Only by centralizing planning, concentrating

resources, and making the most of all advantages would it be possible to readjust the product mix in a sensible way to overcome shared latent risks and enhance enterprise reserve strength.

#### 3. Enormous Investment Assembled To Develop Color Kinescopes.

Once the state approved the project, we began preparations to build a production plant having an annual capacity of 1 million 18 inch color television tubes. This required an investment of 300 million renminbi, 10 percent of which came from the enterprises' own funds to meet the conditions for the project. At that time, the five factories' fund for the development of production contained a total of approximately 9 million yuan, an amount far short of the 30 million investment needed. [sic. This does not square with the 300 million figure given earlier in this paragraph] One fairly appropriate way to raise the capital needed for such a long-term investment in fixed assets was the issuance of share certificates for sale in society as a whole. For a single product enterprise, such a public subscription method held little attraction for investment because of the enterprise's limited scale of production, economic strength, and investor confidence. However, the voluntary linking together of these five plants, which already had an internal relationship, made them a share corporation having integrated assets that was strong and produced on a large scale. Public confidence increased greatly, and operating risks declined relatively. This had a substantial appeal for investors. Thus, for their common benefit, the individual plants entered a voluntary partnership, and set out together to found the corporation.

#### Corporate Structure

The corporation's structure differs from that of other share system corporations in these specific ways as follows:

1. The corporation does not have a large key enterprise as a backer. Rather it is a large share system enterprise, in which assets are integrated, that is made up of enterprises of modest size under ownership of the whole people. With this as the nucleus around which it is founded, and joint funding as a hub, it set up sub-corporations and branch corporations that cut across regional and industry lines and are of various kinds in the development of lateral economic links for the formation of a multifaceted share corporation.

2. In addition to overall optimization based on economic laws, unified organization of production, and gaining the economies of scale, the corporation is also responsible for regional industrial management functions. A several-plant corporation is the backbone of industry, having a crucial effect on industrial development. Corporate development promotes optimization and of enterprises' structure and partnerships in industry. Furthermore, intense corporate operations plays the major role that it should in preparing the material foundation for industrial management.

3. The Corporation linked scientific research, product development, mechanical equipment research, and economic management research to production operations for a rise in overall performance. In particular, the technical strength of the Corporation's electronic vacuum devices research unit was the main force for the corporation's development of follow-on products as well as the development of new technologies. Each plant's use of its own special expertise was a major backup for passing research to production and commercialization. This both helped concentrate resources to make major advances for an acceleration of progress in scientific research. It also helped use the advantage that the corporation enjoyed from the specialized production skills of its individual plants, as well as allowed a cooperative division of labor that promoted a close link between scientific research and production. With the integration of research with production, research results were very quickly translated into productivity.

### 3. Equity Structure

A total of 2 million shares at 100 yuan per share were issued to raise 200 million renminbi of share capital for the corporation. The Accounting Office of the national Assets Inventory Economic Association revaluated the corporation's assets preparatory to state investment of capital to determine the number of state shares to be purchased. The additional capital needed was obtained through the issuance of share certificates in society as a whole, the total amount being divided between shares held by units and shares held by individuals, thereby forming a diversified equity structure made up of collective and private economic components that was predominantly under public ownership.

**State shares.** These shares were capitalized out of the state funds, and the production development funds on hand in the corporation's various plants and shops, and in subordinate organizations, the new product development fund, the reserve fund, and the renovation and technological transformation fund. The state shares accounted for 74.5 percent of total share capital.

**Unit shares.** Unit shares means the shareholdings subscribed by institutional juridical persons outside the corporation, which amount to 1 percent of total share capital. Unit shares were issued to prescribed holders. They may be traded on the market, and they may be transferred among prescribed enterprises and institutions having the status of juridical persons, but they may not be converted into shares held by individuals.

**Individual shares.** Individual shares means shares to which the staff members and workers of the corporation and inhabitants of cities and the countryside subscribed, as well as shares for which the corporation used bonus funds to make purchases on behalf of its staff members and workers (commonly termed dry [1626] shares). Each year since its founding, the corporation has issued a number of individual shares. There have been three issues with a total value of somewhat more than 50

million yuan. Individual shares may be traded in the market; however, the dry shares held in the name of staff members and workers have clear identification marks. They may not be traded, but are limited to transfer for compensation among staff members and workers within the corporation.

### 4. The Corporation's Leadership System and Management

In view of the nature and character of the corporation, we set up a general manager responsibility system under leadership of the Shareholders Representative assembly and the Board of Directors. The Shareholders Representative assembly represents the interests of all shareholders. During meetings, it places limits through general resolutions on the operating decisions of the board of directors. Ordinarily, the Shareholders Representative Assembly meets once or twice each year.

The board of directors is the corporation's highest operating authority. The board of directors is elected for a four-year term by the Shareholders Congress. The board of directors practices collective leadership, major decisions requiring a more than two-thirds majority for passage. The chairman of the board is the corporation's juridical representative.

The general manager is selected by the board of directors, and carries out the decisions of the board of directors. He has complete responsibility for the corporation's production and administration. Each of the plant managers in separate plants are chosen by the general manager. They act under leadership of the general manager and they manage each plant on behalf of the corporation within the limits of authority mandated by the general manager. We have also fashioned an enterprise limitation mechanism through party-organized support and supervision at each level, and through the democratic management of the trade union and the staff member and worker committee.

### 5. Distribution of Corporation Benefits

China has yet to establish share system enterprise financial control and accounting regulations; consequently, we have set up an internal financial management and accounting system in order to maintain work continuity and statistical uniformity. According to provisions of the corporation charter, the corporation is an independently accounting unit. The corporation speaks with a single voice to the treasury. The corporation's plants, which are not independent accounting units, are responsible only to the corporation. The corporation practices the management principle of "four consolidated," namely consolidated accounting, consolidated payment of taxes, consolidated responsibility for profits and consolidated contracting and repayment of loans. Over time, it has regularized financial management relations within the corporation in eight different regards, namely with regard to final accounting, internal planning and prices, financial reports and cost accounting, the setting up of ledgers, loans, tax payments, and distribution in order to

meet the financial management needs of a multi-plant type share system enterprise.

Corporation retained profits are divided among a public accumulation fund, a public benefit fund, a fund for profit sharing according to labor, and a fund for profit sharing according to shareholdings. The percentages for the "four funds" are decided by the corporation board of directors. The principle applied to distributions is protection of the fundamental interests of investors as a main body in the national economy, showing concurrent concern for the interests of the state, enterprises, shareholders, and staff members and workers for the establishment of a constrain mechanism in which interests are balanced. Corporation internal distribution relationships, the total floating wage bill among plants, the staff member and worker welfare fund, and staff member bonus fund distributions must also be fair and equitable. The former situation that gave rise to differences in opportunities in different plants and unequal retained profits must be eliminated, all plants induced to strive objectively to overcome weaknesses, internal potential tapped, and economic returns increased, each plant in the corporation thereby starting from a common starting line to compete with each other fairly impartially within the corporation. Therefore, our checking on distribution in each plant employs "work center" checking of each plant's production results and the size of its contribution to the whole, to determine the amount of returns to be distributed to each plant. By the so-called "work center" checking is meant checking on the quantitative optimization milieu in four regards, namely the degree to which each plant meets its production capabilities, the degree to which personnel are properly assigned and function, the degree of improvement in "quantity difference returns," and the degree to which funds are used effectively, a distribution coefficient being derived for each plant through computer calculations.

#### 6. Four Changes That Occurred

During the past four years, while making the most of the potential advantages of a socialist share enterprise in which public ownership is paramount, and moving ahead with practice gained in share system pilot projects, we have conducted some beneficial studies resulting in a few achievements.

##### 1. Pluralization of the enterprise equity structure.

After implementing the share system, we used the social credit mechanism, issuing share certificates to society at large and individuals to gather together idle capital, thereby changing the situation in which the state was the sole investment entity, solved the problem of insufficient state construction capital and reducing the state's fiscal credit burden. We broke the former mold of sole state ownership of enterprise assets to shape an enterprise containing national, collective and individual assets at the same time, and a multiple assets ownership structure that is mostly publicly owned. This meets needs in the

multilevel development of production during the preliminary stage of socialism. This system fairly well expresses a proper separation of assets ownership rights and enterprise operating rights. It sets up a self-regulating limitation mechanism in which shareholders restrain the board of directors, and the board of directors restrain operators, in which responsibilities are jointly borne, benefits are jointly shared, and risks are jointly undertaken, and the enterprise's conduct thereby becomes more rational.

##### 2. Perfection of the Enterprise Operating Mechanism.

We brought into play functions in which socialist share enterprise self-management authority is fairly strong, thereby opening up and invigorating administration. We then addressed limitations on shareholder congresses, board of directors meetings, and level-by-level limitations on operators, supervising and encouraging shareholders in society, and market pressures resulting from the reputation of share certificates, as well as providing supervision, encouragement and support to the party organization in the enterprise, and democratic management of staff member and worker representative assemblies, multi-level restraints, and steady development of an enterprise self-management, self-limitation, and self-regulating development mentality in conscious readjustment of the enterprises' conduct. During a period of four years, 210 million yuan in taxes and profits have been paid to the state in an annual 11 percent increase. The enterprise's accumulations have also increased yearly. At the present time, net assets are worth 300 million yuan, which is 1.5 times their value at the outset. Benefits of staff members and workers, and of shareholders have also improved with the development of production. Orientation has been toward both domestic and foreign markets as an operating strategy, changes in three regards gradually taking place, namely a change from benefits from speed and benefits from price to benefits from quality and benefits from costs. Second is a change from benefits from a single main product to benefits from multiple main products, and third is a change from benefits from imports to benefits from exports. During the past four years, foreign exchange earnings from exports have increased nearly 10 fold breaking the 10 million yuan mark in 1990. In administration and management, the focus has been inward beginning with improvement of personnel quality, hastening technological advance, and improving enterprise management. During the past four years, the all-personnel labor productivity rate has increased by an average 5 percent annually.

##### 3. Optimized enterprise organizational structure.

With improvement of overall performance and economic returns as its goal, the Corporation concentrated on advantages to be gained from multiple use of resources. It readjusted the product mix to make it more rational, and refined the specialized division of labor in its six plans and one institute to promote the orderly flow of the elements of production within the enterprise. It

optimized the allocation of production resources, particularly of the Corporation's main products. Production capabilities involved in the final assembly of black and white kinescopes, the glass casing, and the electron gun are mutually complementary and develop in coordination. This makes this the country's black and white kinescope enterprise having the most complete variety, the largest output and the best integration. It has produced rather good economic returns and social benefits. During the past four years, it has produced an industrial gross output value of 1.342 billion yuan and a sales income of 1.839 billion yuan for an 11.75 and a 12.8 percent respective annual increase.

Since share enterprises can break off trade, regional, departmental, and ownership system shackles to form more broadly and deeply based composite economically linked enterprises, taking the development of productivity as its goal and markets as its orientation, the Corporation steadily expanded its field of operations. It signed contracts with 101 radio manufacturing plants and then used assets linking methods such as share control and share holding to develop lateral economic links. Using its own closely integrated six plants and one institute as a nucleus, the Corporation gradually radiated outward to shape a network system for the gradual formation of a multi-faceted large scale electronics products conglomerate.

#### 4. Makes a Stride Toward Being an Outwardly Oriented Enterprise.

The Corporation invested 50 million yuan that it obtained from issuing shares and raising capital in a joint venture with a Hong Kong enterprise to build Shanghai's first construction project in 1989, the Shanghai Yongxin Color Kinescope Company, Ltd. Through its elected and appointed board of directions, and its general manager, the Corporation also took part in preparations for construction, capital construction, and operating policy decisions and production activities. Once the Shanghai Yongxin Kinescope Corporation went into trial production in early 1990, it fulfilled its output program in August one and one-half years ahead of original schedule. Output for 1990 was nearly 650,000 kinescopes and 95 percent of its product met quality standards. Its product performance was as good as that of kinescopes imported from Japan. Its kinescope installation rate was 99.86 percent, making it first among like industries in the country. It scored the superb achievement of fulfilling its output program and making a profit in the same year that it went into production to become a first rate Sino-foreign joint venture enterprise in the electronic industry. Was also a fairly successful example of our making the most of the share system mechanism, using foreign capital, founding a joint venture enterprise, development new technology, and transforming an old enterprise. Thus, we were able to extend our enterprise development feelers farther outward. We looked forward to using the direct form of organization for directly

attracting foreign capital, the issuance of foreign currency denominated shares to organize a Sino-foreign joint venture share corporation.

#### 7. Problems and Recommendations

##### (1) Problems

1. The legal position of share system enterprises is not guaranteed by law.

China has not yet formally codified a share corporation law or regulations. The legal position of share corporations is not yet fully recognized and protected by law. How can pilot project enterprises become regularized in the absence of an authoritative foundation? Since pilot project enterprises are sometimes unable to enjoy the preferential policies accorded enterprises under ownership of the whole people, and have no share system laws and regulations to follow as well, their enthusiasm suffers.

2. Departments in charge lack authoritativeness with the result that associated reforms cannot keep pace.

The share system pilot projects have a bearing on all political, economic, monetary, legal, enterprise system, and management reforms. They must be carried out together. Pilot project enterprises should not have to bear alone the pressures that come from society, departments in charge, shareholders, and staff members and workers. Numerous problems crop up in pilot projects that are frequently not solved in a timely fashion. What is needed for macrocontrol is a strong authoritative government unit that is able to exercise overall coordination and supervision that can plan as a whole taking all factors into account.

3. Pilot projects carry substantial tax burdens that hurt their accumulations.

No matter the tax system and the tax rate in effect for pilot projects today, pilot project enterprises generally report fairly heavy tax burdens and inadequate sharing in profits, which ultimately affects their accumulations. We have done some figuring. After taking away 55 percent in income taxes, enterprises pay 11.25 percent of profits in taxes and extrabudgetary regulation taxes. Then after money for bonuses and welfare payments are withheld from retained profits at the usual level for industrial enterprises in this city, what remains is insufficient. In addition, during the past several years interest dividends have steadily risen to between 18 and 20 percent. As a result, enterprises cannot bear the burden, so money is often squeezed from their production development fund (public accumulation funds).

##### (2) Recommendations

1. A more theoretical study of the share system should be conducted, particularly a study of economic theory and policies for shares when an enterprise is predominately under the public ownership system, the attributes, the intensification, extension, character and laws of development

of a socialist share system clarified. First, there must be a theoretical unification of thinking to heighten understanding and to provide correct guidance for share system pilot project practice for a strengthening of pilot project unit confidence in the share system.

2. Leadership, coordination, and control of share system pilot project work must be improved. The responsibilities of share system administrative organs in charge must be spelled out, and macroeconomic regulation and control as well as overall coordination authority accorded share system pilot projects to guide the in-depth development of share system pilot projects.

3. Establishment of an external support environment that is in keeping with the country's circumstances and that is basically compatible with the standard requirements of international practice should be given study. Policies, laws and regulations, and associated reform measures that help move along share system pilot projects should be perfected to ensure that share system pilot projects follow a socialist orientation and gradually move toward standardization.

4. Share system enterprise pilot projects must be gradually opened up, planned expansion of the scale of pilot projects continued. Some Sino-foreign joint venture enterprises may be converted to share enterprises, and more foreign capita shares issued to pilot projects having requisite conditions for the building of Sino-foreign joint venture share enterprises. The share market should also be enlarged at the same time so that it is both more open and invigorates finance more, share system pilot projects thereby possessing the size needed to produce a greater effect.

5. Share system pilot project enterprises must curb enterprise behavior in accordance with standardization requirements. They must enhance administration and management, and build and improve internal operating mechanisms. Enterprise system enterprises that are mostly publicly owned, in particular, should improve their control over state-owned assets to improve the operating efficiency of state-owned assets.

## PROVINCIAL

### Part II of Tianjin Statistical Communique

SK2607122691 Tianjin TIANJIN RIBAO in Chinese  
6 Jun 91 p 6

[Statistical communique on 1990 national economic and social development of Tianjin Municipality issued by the Tianjin Municipal Statistics Bureau—Part I published in CAR 91-047, 23 August 1991]

[Text] [Communique continues] The utilization of foreign funds achieved new progress. The agreements signed in 1990 on utilizing foreign funds are worth \$186 million, a 24.1 percent decrease over 1989. Of these

foreign funds, direct investments made by foreign business firms are worth \$164 million, a 93.5 percent increase over 1989. The number of newly signed contracts on operating "three-capital" enterprises reached 129, a 32 contract increase over 1989. Of these contracts, the number of solo-foreign-funded enterprises reached 57, a 31 enterprise increase over 1989. The volume of foreign funds actually used during the year was \$333 million. Of these foreign funds, direct investments made by foreign business firms are worth \$83 million, a 2.2 percent increase over 1989. By the end of 1990, the municipality signed contracts with foreign firms on operating 550 "three capital" enterprises, of which, 236 have begun production or operation.

The economic and technical development zone further achieved development. In 1990, the development zone approved contracts on operating 54 "three capital" enterprises, which involve the investment of \$123 million, a 24.2 percent increase over 1989. Of these investments, those made by foreign business firms reached \$109 million. The development zone realized 919 million yuan of the total product of society in the year, a 51.5 percent increase over 1989. Of this total product of society, that of total industrial output value was 780 million yuan, a 68 percent increase over 1989. It realized 214 million yuan of taxes and profits, a 47.7 percent increase over 1989.

Rendering services for foreign tourists gradually rose again during the year. In 1990 the municipality received 56,000 foreign tourists from Hong Kong, Macao, and Taiwan. Overseas Chinese tourists totalled 12,900 people, an increase over 1989. The income earned from tourism reached 112 million yuan, a 15.1 percent increase over 1989.

## VII. Urban Construction and Public Utilities

Urban construction achieved new development. Under the great shortage of construction funds in 1990, the municipality still scored very large achievements in urban construction. To improve the livelihood of both urban and rural people, the municipal people's government fulfilled within the date set in the plan the major construction tasks set in the program of doing 20 practical deeds to the people, such as the expansion of the Tianjin airport, the repair of a number of sections along the inner ring road, and additional work to the outer ring road. The project of building a number of commercial and service facilities, the Hualian business building, the Nanlou department store, and the spring bath house, were completed within the year. The newly built library was dedicated. By the end of 1990, the municipality's paved roads reached 2,932 km long and its acreage of paved roads reached 2,825 square meters, a 70,000 square meter increase over 1989. In 1990 the municipality planned to build or rebuild 2.2 million square meters of residential housing and actually built or rebuilt 2,223 million square meters of residential houses. The municipality also supplied utilities to the residential 1.942 million square meters of housing. The rate of

providing public utilities reached 87.8 percent, an increase of 1.8 percentage points over 1989. The rate of well-built residential houses and of providing public utilities to residential houses topped the previous peak. The municipality repaired 413,700 square meters of dangerous and shabby houses benefiting 18,000 households and 63,800 residents.

The urban public utilities were further improved and further achieved development. By the end of 1990, the number of municipal bus and trolley lines reached 158, along which 1,857 buses and trolleys were put into operation. The length of their lines in operation reached 2,989 km. The volume of passengers transported by buses and trolleys during the year reached 704 million persons and the income earned from the public passenger transport showed a 14 percent increase over 1989. The 1990 volume of residential power consumption reached 675 million kWh, a 26.9 percent increase over 1989. The volume of potable water reached 243.66 million tons, a 7.8 percent decrease over 1989. The sale of LPG reached 36,600 tons, a 3.9 percent increase over 1989, and that of natural gas and propane gas reached 320 million cubic meters, a 0.2 percent decrease over 1989. The 1990 rate of urban households using gas for cooking reached 83 percent (that of six districts in the municipality reached 80.4 percent), a 0.4 percentage point increase over 1989.

We made new progress in environmental protection and in greening the city. During the year, 157.88 hectares of green land were built, and by the end of the year, urban green land totaled 1,851.56 hectares, and the per capita amount of public green land in the six urban districts rose from 2.27 square meters in the previous year to 2.31 square meters. Tree and grass coverage of the six urban districts grew from 14.81 percent of the previous year to 15.01 percent. Tree planting and lawn building targets were basically fulfilled. The tree planting and lawn building index improved, and a number of key greening projects proceeded fairly rapidly; our work of greening small areas and courtyards ranked among the best in the country.

#### VIII. Finance, Monetary Work, and Insurance

In 1990, our municipality's local budgeted revenue totaled 4,739 billion yuan (including the revenue of the economic and technological development zone), exceeding the adjusted budget and declined by 4.7 percent from the previous year. Industrial and commercial taxes came to 4,882 billion yuan, down 2.9 percent. The local budgeted expenditure was 3,586 billion yuan, up 1 percent from the previous year. Of the total, the expenses for capital construction totaled 399 million yuan, down 12.4 percent, funds for enterprises to tap potential and carry out technical transformation totaled 70 million yuan, up 6.5 percent, and operating funds for culture, education, and public health totaled 945 million yuan, up 10.9 percent.

By the end of 1990, the savings deposits of the monetary organizations of our municipality had reached 26.321 billion yuan, up 29.4 percent, or 5,987 billion yuan, from the figure calculated at the beginning of the year, and the remaining sum of their loans had reached 41,591 billion yuan, up 21.8 percent, or 7,432 billion yuan. Loans for use as circulating funds totaled 31,806 billion yuan, up 19.5 percent, or 5,193 billion yuan. The difference between monetary organizations' savings deposits and loans for the year increased by 1,445 billion yuan, lower than the state-assigned control quota.

The cash income of banks totaled 23,992 billion yuan in the year, up 8.2 percent from the previous year, and their cash expenditure was 24.2 billion yuan, up 7.6 percent. Balancing these two figures, the net amount of currency put into circulation was 208 million yuan, down 31.2 percent from the previous year.

The insurance business continued to develop. By 1990, the municipality had opened 117 insurance programs, six more than in the previous year, and the premium for property insurance of various kinds totaled 91,816 billion yuan, up 52 percent. Income from domestic property insurance programs totaled 189,749 million yuan, up 20.2 percent, that from personal insurance programs 50,473 million yuan, up 28.0 percent, and that from the insurance programs involving foreigners \$23,07 million, up 12.4 percent. Insurance companies handled (concluded) 42,934 claims for losses and paid out 112,569 million yuan, up 22.0 percent. Another 169.4 million yuan were paid for life insurance, up 1.6 times. A total of 1,432,400 persons participated in life insurance programs in the year, up 1.3 times.

#### IX. Science and Technology, Education, Culture

Scientific and technological work yielded new achievements. In 1990, the municipality scored 662 major achievements in the technological research of natural sciences, of which 178 were recommended as state-level achievements and 482 municipal-level achievements, and 73.6 percent of these achievements were put into production or application. Ten achievements won the state invention award during the year and 128 scientific research achievements passed the municipal-level appraisals, of which 15 reached the advanced levels of the world and 88 the advanced levels of the country. At the national exhibition of inventions, our municipality's projects on display won two gold medals, 20 silver medals and 33 bronze medals. A total of 38 projects under the "torch" plan and 10 projects under the "spark" plan were implemented. In 1990, 8,068 contracts were signed in the technology markets throughout the municipality, up 2.5 percent from the previous year. The contingent of scientific and technical personnel expanded continuously. By the end of 1990, the municipality had 557,500 scientific and technical personnel, up 3.8 percent from the previous year, of whom personnel of natural sciences totaled 289,600, up 3.8 percent.

Educational undertakings were steadily developed. By the end of 1990, the municipality as a whole had 28 ordinary higher education schools. During the year, 1,128 graduate students of all sorts were enrolled, and 1,329 postgraduates graduated; 13,900 undergraduates and students in special courses were enrolled, and 15,200 students graduated. By the end of the year, there were 51,000 students studying in ordinary higher educational schools, a decline of 1,800 students from the previous year, and 97,700 students studying in all sorts of secondary specialized and technical schools, an increase of 3,500 students over the previous year. Among them, 38,900 students were studying in secondary specialized schools, 30,800 were studying in skilled worker schools; 34,580 were studying in ordinary middle schools, an increase of 10,100 students over the previous year, and 855,300 were studying in primary schools, an increase of 43,800 students. The school entrance rate of school-age students reached 99.8 percent, and the rate of primary school graduates entering schools of a higher level reached 98.7 percent.

Cultural undertakings were soundly developed. By the end of 1990, the whole municipality had 667 film projection units of various descriptions and 23 art performing troupes. During the year, we released a total of 1,070 films and had film shows on 193,800 occasions, with an audience of 103 million people; we gave 3,600 art performances during the year, with an audience of 4.25 million people, and we presented 6,589 hours of radio programs and 1,116 hours of television programs, which included 10 television dramas of 26 episodes. By the end of 1990, the whole municipality had 18 cultural halls, 30 public libraries, 10 museums, and one mass gallery. During the year, we printed a total of 130 million copies of books, 43.79 million copies of all sorts of magazines, and 384 million copies of all sorts of newspapers.

#### X. Public Health and Sports

Public health undertakings developed continuously, and medical conditions were further improved. By the end of 1990, the whole municipality had 3,392 health and medical organs, a decrease of 28 organs from the end of the previous year. Of these, 293 were hospitals, an increase of two. At the end of year, the municipality had a total of 33,400 hospital beds, an increase of 1,158 beds, or 3.6 percent, over the beginning of the previous year. Every 1,000 persons had 3.85 hospital beds on average. The municipality had 67,500 specialized public health and technical personnel by the end of the year, an increase of 1,719 persons, or 2.6 percent, over the beginning of the previous year. Among them, 32,000 were doctors, an increase of 1.3 percent, and 18,300 were senior nurses and nurses, an increase of 5.1 percent.

New achievements were made in sports undertakings. By the end of 1990, Tianjin athletes won 28 gold medals, 23 silver medals, and 30 bronze medals at 12 major domestic and international competitions. At the 11th Asian Games, the Tianjin athletes won 11 gold medals,

one silver medal, and one bronze medal at five events. The mass sports activities were vigorously carried out. In 1990, all departments across the municipality held a total of 1,365 sports games at and above the township and town levels, with 1.32 million athletes joining the competitions or performance. Of these, there were 618 sports games at and above the district and county level, with 1.08 athletes joining the games.

#### XI. People's Livelihood

The income of the urban and rural residents increased continuously. The data provided by the sample survey among families of the urban and rural residents showed that the average per capita annual income for living expenses of the urban residents in 1990 was 1,522 yuan, up 10.7 percent from the previous year. If the factor of price rises is deducted, the actual increase was 7.5 percent; the average per capita annual net income of peasants was 1,069 yuan, an increase of 4.5 percent over the previous year.

In 1990, the municipality provided and distributed jobs to 27,000 persons. At the end of that year, the total number of workers and staff members in the municipality was 2,843,100, a decrease of 609 from the previous year's figure. Of them, 2,172,600 persons were employed by state-owned units, a reduction of 593 persons; 625,500 persons were employed by the collectively owned units, a reduction of 8,904 persons; 45,000 persons were employed by cooperative units and other units, an increase of 8,888 persons, and 154,100 persons were self-employed workers in urban areas.

In 1990, the total volume of wages of workers throughout the municipality was 6.938 billion yuan, an increase of 336 million yuan, or 8.4 percent, over the previous year. Of this, the volume of wages of workers and staff members of state-owned units was 4.385 billion yuan, an increase of 7.8 percent over the previous year, or an actual increase of 5.0 percent if price rises are taken into consideration. The average per capita wages of workers and staff members rose from 2,262 yuan in the previous year to 2,438 yuan, an increase of 8.4 percent, or an actual increase of 5.6 percent if price rises are taken into account.

Savings deposits of residents continued to increase, and the amount of property and equipment they owned increased constantly. At the end of 1990, savings deposits of urban and rural residents was 12,692 billion yuan, an increase of 3,731 billion yuan, or 41.6 percent, over the previous year. Of this, savings deposits of urban residents increased by 2,987 billion yuan, and those of rural residents increased by 744 million yuan. According to a sample survey, by the end of 1990, every 100 households in urban areas possessed 84.0 washing machines, 78.2 refrigerators, 79.5 cassette recorders, 37.2 cameras, 72.2 color televisions, and nine videos, all of which showed an increase over the previous year.

Housing conditions of residents continued to improve. By the end of 1990, the per capita housing space of urban residents rose from 6.38 square meters from the previous year to 6.70 square meters.

The 20 specific deeds promised by the municipal government for improving residents' living standards within 1991 were all completed.

The social welfare service were developed further. By the end of 1990, social welfare organs in the municipality possessed a total of 1,271 beds, caring for 1,044 elderly, orphans, handicapped persons, and mental patients. The rural collectively owned economic organizations cared for 5,493 orphans, elderly childless persons, and handicapped persons, of whom, 2,277 persons were cared for by retirement homes. A total of 16,000 targets of social relief received regular relief from the state.

### XII. Population

In 1990, the municipality's population birthrate was 15.62 per thousand, the mortality rate was 5.79 per thousand, and the natural population growth rate was 9.83 per thousand, an increase of 0.82 per milage point over the previous year. At the end of 1990, the permanent population of the municipality was 8,662,500 people, an increase of 139,000 persons, or 1.6 percent, over the end of the previous year. Of them, the nonagricultural population was 4,854,400 persons, an increase of 1.9 percent over the previous year, and the agricultural population was 3,808,100 persons, an increase of 1.4 percent.

#### Notes:

1. The gross national product, national income, and the total product of rural society are calculated according to the prices of the same year, and the increasing rate is calculated according to the comparable prices.
2. The total industrial output value, the total agricultural output value, the total industrial and agricultural output value, and the post and telecommunications business volume are calculated according to the 1990 constant prices, and the increasing rate is calculated according to the comparable prices.

## FINANCE, BANKING

### Expand Deposits, Adjust Savings Structure

91CE0794 Beijing JINRONG SHIBAO in Chinese  
15 Jul 91 p 3

[Article: "An Effective Way of Reducing Losses and Increasing Profits for the Financial Sector—Placing Emphasis on the Expansion of Current Deposits"]

[Text] Currency is a special commodity. Various deposits, loans, securities and other services handled by banks and other financial institutions are varieties of the currency commodity. To meet the different savings

needs of individual currency holders, banks have set up many types of saving to be selected by depositors. These types of saving have different features. For a particular type, advantages often coexist with shortcomings. As for the relation between different types, strengths and weaknesses often complement each other. Fixed deposits usually carry a large sum for a long term with high interest rate. It has a higher yield for the depositor. The procedures are simple. This portion of bank deposits is relatively stable. Funds have a high utilization rate and are easy for accounting. The masses are happy with this type of saving, which has grown rapidly. This situation is normal, inevitable, and beyond questioning. At present, however, among some bankers there does exist a phenomenon of neglecting current deposits, which has lead to its slow growth. Sufficient attention should therefore be paid to such a phenomenon.

Based on statistics from the Xian Branch of the Construction Bank at the end of May 1991, of the total amount of deposits, fixed deposits accounted for 75.6 percent, fixed deposits with current deposits option (F/C option) 17.6 percent, and current deposits only 6.8 percent. Comparing May 1991 with the end of 1989, the growth of various types of deposits was as follows: fixed deposits grew by 115 percent, F/C option 124.7 percent, and current deposits only 33.8 percent. In recent years the share of current deposits in the total deposits has manifested a trend of continued decline. At the end of 1989 the share was 10.5 percent, falling to 7.6 percent in 1990, and further down to 6.8 percent by the end of May 1991. To change this situation of small proportion and slow growth of current deposits, it is necessary to unify thinking and further acknowledge the importance of a strong development of saving in the form of current deposits.

To vigorously develop current deposits will not only satisfy the needs of the masses for saving but also serve as an important measure to expedite the development of the savings sector. How to mobilize short-term and small amounts of idle cash into deposits and support state construction is an important subject facing bankers.

To develop current deposits is an effective measure of adjusting savings structure and reducing the cost of raising capital. At present the savings structure is irrational. The proportion of fixed deposits is unduly large but the proportion of current deposits is rather small. This is an important reason for the high cost of raising capital and for the losses in the savings business. The interest rate differential between fixed and current deposits is large. For a one-year deposit of 1 million yuan, the interest payment on a fixed deposit is 756 yuan but only 180 yuan on a current deposit. The ratio between the two is 4.2:1. At present the total amount of nationwide savings exceeds 700 billion yuan. On the existing basis, if the proportion of current deposits could be raised by one percentage point, annual interest payments could be reduced by 280 million yuan. If effort is made to raise the proportion of current deposits by 10 percent in one or two years, then there would be a

significant reduction in annual interest payments. This will undoubtedly have significant meaning to reduce losses and increase profits in the financial sector, increase fiscal revenue, and improve operations and administration. It should not be overlooked.

Is it true that current deposits are unstable and the funds utilization rate is low? With regard to this question, I believe that stability and instability can only be talked about in relative terms rather than absolute terms. Although fixed deposits are relatively stable in that the term is predetermined, however, depositors can withdraw funds in case of urgent need, thus showing its unstable aspect. On the other hand, although current deposits can be withdrawn at any moment, depositors will not withdraw the funds at discretion if they do not need to use the funds, thus demonstrating its stable aspect. "Voluntary saving and free withdrawal" is a fundamental savings policy. The autonomy of withdrawing deposit is vested in depositors, and when and how much the depositor will withdraw mainly depends on whether depositors have the need for funds rather than on the types of saving. As far as a particular current deposit, it may not be stable. But on aggregate, current deposits are stable. Although passengers get on and off a train at each station, the remaining passengers in the train will not reduce substantially. By the same token, although there are deposits to and withdrawals from current deposits everyday, in the absence of exceptional circumstances, the balance will not drop drastically. Rather, it will increase gradually. The belief that current deposits are unstable because they may be withdrawn at any moment is metaphoric and inconsistent with the reality of objective facts.

Some bankers repetitively persuade depositors of current deposits to switch to F/C option or to other types of saving to stabilize the amount of savings. Their intention is well-grounded but this approach often leads to the doubling and redoubling of interest payments without stabilizing the growth of savings. Therefore, it is not to be encouraged. Other bankers require all depositors who wish to close their accounts to leave a small balance to consolidate the client base. Practice has proven that this approach fails to keep many depositors, the increase in saving is limited; a large number of deposit become ineffective, thus creating trouble for settlement in future. This approach also violates the spirit of "free withdrawal," thus unconsciously encroaching on the interest of depositors. Therefore, it should not be encouraged.

To place emphasis on current deposits does not mean that other types of saving may be neglected. Bankers are required to disseminate information on various types of saving in a balanced manner. They should get fixed deposits for funds that are asked to be deposited as fixed deposits or meant for fixed deposits, and get current deposits from those funds that are asked to be deposited as current deposits or meant for current deposits. In this way, different funds can be channeled into different types of deposits, thereby promoting a healthier development of the savings sector.

**Editorial Views Blueprint for Financial Reform**  
91CE0724A Beijing JINRONG SHIBAO in Chinese  
16 Jul 91 p 1

[Editorial: "Depicting a New Blueprint for Reform of Financial System"]

[Text] It is delightful to know that reform of the financial system will be listed as an important agenda item at the meeting which commenced today of all branch heads of the People's Bank. The historical task is on the shoulders of bankers. An army of 2 million financial professionals are looking at them with expectation and confidence. This meeting is to implement the "Suggestion" of the Party's Seventh Plenary Session of the Thirteenth Central Committee and the "Program" adopted by the Fourth Plenary Session of the Seventh People's Congress which calls for reform of the financial system. It will discuss the "Tentative Plan for Financial System Reform in the Eighth Five-Year Plan and for the Next Ten Years," which was designed by the People's Bank in the spirit of the "Suggestion" and "Program." Zhou Zhengqing, vice president of the bank, will report on reform of the financial system for the next ten years and for the period of the Eighth Five-Year Plan. Undoubtedly, this meeting will plan and determine the blueprint for reform of the financial system for the next 10 years and for the period of the Eighth Five-Year Plan.

Over the last 10 years the spring breeze of reform and opening up has brought significant changes to the Chinese economic system and enabled the Chinese economy to achieve its first-stage strategic objective. At the same time, it is pleasant to note that the Chinese financial system reform has borne rich fruit. The Chinese financial sector has experienced unprecedented development and prosperity.

A central banking system has been established. Since 1984 the People's Bank of China began to specialize in exercising the functions of a central bank, and broke the old pattern of a financial system that was formed under the system of product economy. Various new financial institutions have been set up. A financial management system and institutional framework led by the central bank, dominated by specialized state banks and supplemented by various financial institutions have now emerged.

The domain of the financial sector has developed and widened. The scope and client base of financial services has expanded. Many financial services such as credit, investment, insurance, trust, leasing, securities, and credit cards have been developed. Various financial markets such as inter-bank lending and borrowing, and securities exchanges have been set up. The aggregate volume of financial assets that have been raised and mobilized have doubled and redoubled. The financial sector has become the major channel through which the state raises and deploys productive and construction funds.

The external exchange and opening of the financial sector to the outside world has expanded. A large number of foreign banks have been approved to set up financial institutions within Chinese territory. At the same time, China's financial institutions abroad have also developed. The number of domestic banks and agencies engaged in foreign exchange transactions has increased. Foreign exchange markets have been set up. The role of the financial sector in introducing foreign capital to develop the domestic economy and to facilitate the stability of balance of payments has been increasingly enhanced. China's connection and exchange with international and foreign financial institutions have been further expanded and strengthened.

The financial sector has become an important instrument for macroeconomic regulation and control. Along with changes in the financial system and development of financial services, the central bank has developed and applied various financial levers such as credit, interest rates, settlement, reserve requirement, exchange rate, and discount rate. As a result, the status and role of the financial sector in the national economy have grown and gained strength rapidly. The financial sector has become an important instrument for the state to regulate and control the macroeconomy.

Obviously, the direction of the more than 10 year reform of the financial system is correct. The achievement is enormous. At the same time, it should be noted that we still lack experience. There are certain shortcomings in reform of the financial system. But this is not necessarily a bad thing nor does it represent the main stream. The evolution of objective matters always go from imperfect to perfect, from immature to mature. Likewise, the establishment of the new financial system cannot bypass this objective historical process.

It is deeply felt that reform of the financial system is a major event in Chinese financial history that will determine the prospect and fate of the Chinese financial sector. It may even exert an important impact on reform of the entire economic system and on development of the national economy. Therefore, we face enormous responsibilities and numerous difficulties. We must conscientiously and carefully study, design and implement reform of the financial system. We must have a responsible and scientific attitude, and bravely innovate and progress. We must selectively absorb and use the successful experiences of foreign countries, but should not indiscriminately copy their experience. A stable currency should be maintained to prevent inflation and follow the objective laws to develop finance, yet the appropriate growth of the economy and the healthy development of the economic system reform should be supported to coordinate reforms in various other aspects of the economy. In summary, reform of the financial system should be scientific, realistic and consonant with China's situation.

The "Suggestion" of the Party and the "Program of the Ten-Year Plan and the Eighth Five-Year Plan of the

National Economy and Social Development" approved by the People's Congress point the direction and objectives for reform of the Chinese financial system in the next 10 years and for the period of the Eighth Five-Year Plan, put forward the new historical tasks for reform of the financial system, and outline a basic framework for a new financial system. That is, further strengthen the central bank's function of macroeconomic regulation and control, and strictly limit the aggregate supply of money and credit, improve the vertical management system of the central bank, and strengthen the central bank's leadership and management of specialized banks, prudently and systematically expand the issuance of various types of bonds and stocks, gradually achieve the multiplicity of social financial assets, and steadily develop the financial market. We should study and design a sound blueprint for reform of the financial system in accordance with these principles and requirements, based on adherence to the direction of socialism and the socialist public ownership of finance, and guided by the objective of establishing a new financial system that combines planned economy with market regulation. It requires the wisdom and efforts of all of us to build a financial system that has Chinese characteristics in order to fulfill the significant historical mandate of the party and people, and to make due contributions to the development and strengthening of the Chinese financial sector, to the prosperity of the Chinese economy, the progress of society, and the success of the great reform of the Chinese economic system.

We sincerely hope that the blueprint of Chinese financial reform will be depicted more beautifully.

We further hope that this blueprint will become a reality in the near future.

## AGRICULTURE

### Shanxi Grain Market Stable After Price Revision

9/CE02334 Taiwan SHANXI RIBAO in Chinese  
4 Jul 91 p 2

[Article by Guan Ling (0385 3781), Quan Ying (0356 3391), and Chen Yu (4453 1342) "Shanxi Grain Market Stable After Price Revision"]

[Text] Since Shanxi Province revised the prices of grain and edible oil on 1 May, the market has remained stable. Negotiated prices and market prices of many grain and edible oil products have dropped somewhat. But the prices of processed food products have increased. The major market conditions are:

Sales of state-priced grain and edible oil dropped sharply. Negotiated and market prices of grain and edible oil were stable. According to statistics, because residents bought a large quantity of grain and edible oil at the state-price in April, they had plenty in stock. In May, Shanxi only sold 17,081 tons of grain and 167,000

kilograms of edible oil at state-prices, a decline of 331,114 tons and 1,473,000 kilograms from April.

In the market, both negotiated prices and market prices of grain and edible oil products remained stable or even declined. For instance, the negotiated price of standard flour in Yuncheng and Pucheng cities dropped respectively from 1.14 yuan and 1.12 yuan per kilogram in April to 1.12 yuan and 1.09 yuan in May. The price of rapeseed oil in Datong markets and the price of green beans in Yanquan markets also dropped by big margins from April.

The major manifestations of price increases for processed food products are:

(1) Decreased prices, but reduced volume hide price increases. In Taiyuan, the sales price of deep-fried twisted dough sticks at collective and private peddler stands is 1.5 yuan with one jin food coupon. Each piece should be 500 grams in weight. But in real sales, some peddlers sold their sticks at 1.2 yuan without a food coupon. The unit weight of each piece was only 300

grams. Others collect one jin food coupon and one yuan for each piece of stick which weighed also 500 grams. Six to 36 more cents were collected for each jin. The situation was similar for onion pancakes, sweet dough twists, and sesame seed cakes.

(2) Negotiated prices of processed food exceed the stipulated price. For example, in Xinzhou City, the stipulated negotiated price of muotou made from refined flour is 0.17 yuan a piece, the actual price was 0.19 yuan a piece, two cents more, and a fried dough twist sells for 1.80 yuan, 0.08 yuan more. In addition, there are also notable phenomena that state-priced food products are forced to sell together as packages with other products, and that products are sold in the manner that weight of food products are below the standard and customers are taken in.

After grain and edible oil price revision, we need to put on our agenda strengthening market management of processed grain and oil food products, and solving price chaos.

**Problems Developing Minority Education**

91CM04724 Beijing MINZU YANJIU [RESEARCH IN NATIONALITIES ISSUES] in Chinese No. 3, 10 May 91 pp 1-3.

[Article by Ni Ma Yi (0674 7456 5030) and Ai Main (5337 6314 2251). "Certain Issues in Developing Minority Education"]

[Excerpt] (passage omitted)

**1. Face Reality, Consider the Whole Picture, Try To Understand Minority Education Better.**

It is impossible to exaggerate the importance of minority education. Here some analysis in the context of the nationalities issue and nationalities work is in order.

Developing minority education is an important means to finally resolve the nationalities problem. In this multi-national state of ours, the nationalities issue is a major part of the overall problem that our socialist cause must try to resolve. It is an issue to which we must pay attention and with which sooner or later we earnestly must come to grips. How do we solve the nationalities problem? Comrade Mao Zedong made this penetrating observation before liberation, "It is impossible to solve the nationalities issue and completely isolate the nationalistic reactionaries at this stage without having a large number of communist cadre from the minority nationalities." Regional national autonomy is China's basic policy in solving the nationalities problem. And it takes a host of minority cadre to achieve regional national autonomy and let minorities be the master of their affairs. The law is very clear on the minority cadre staffing requirements of organs of self-government in autonomous regions. Accordingly, theory, policy, and the law all have the same demand: Train minority cadre. Today developing minority education is the most basic approach toward building up minority cadre.

If we are to implement the nationalities policy properly and handle the nationalities issue well, we need to develop minority education without delay. Common prosperity is the ultimate goal of China's nationalities policy. In the initial stage of socialism, China's nationalities problem manifests itself as disparities between the nationalities in their level of economic and cultural development and demands by the nationalities that such development be accelerated. Economic development needs education-based intellectual support, and must base itself on scientific and technical forces. This is even truer for cultural development. Divorced from educational development, any effort to vitalize culture and improve the cultural caliber of a people would be like water without a source.

Developing minority education has enormous significance for preserving equality among the nationalities and the unification of the motherland. Unity among the nationalities and the unification of the motherland are a widespread demand as well as a shared aspiration of the

citizens of all nationalities. It takes rational thinking, the right ideas, particularly a correct view of nationalities, an understanding of and a sincere love for the history and culture of the motherland, as well as simple sentiments and goodwill on the part of the people to preserve unity among the nationalities and the unification of the motherland. Only when the people are thus equipped would they preserve national unity more conscientiously and more steadfastly. Clearly none of this is separable from education. Education, especially school education, has a profound impact on the thinking of an individual and plays a vital role in his entire life.

**2. Guiding Thought: Make an Effort to Harmonize Minority Education With Education in Other Regions of the Nation as Much as Possible and Coordinate It With Economic and Social Development in the Minority Regions.**

The relation between minority education and education in other parts of the nation is similar to the relations between the economy in minority regions and that elsewhere. The current situation is also similar. The development of education in the nation as a whole is inseparable from the development of minority education and benefits from the latter. The achievement of the national educational mission includes the realization of its goals in the realm of minority education. Intellectual development is an important task in education. If intellectual development in minority areas languishes in a state of backwardness for long periods, it will adversely affect intellectual development and even social and economic development in the entire nation. For this reason, we need to adjust properly the relations between minority education and national education on the macro level to bring them in line with one another gradually and make them develop in a coordinated way. This is something we need to do and can do, as proved by the fact that the level of educational development among some minorities is approaching and has even overtaken the national level.

To accelerate minority education, it is certainly not enough just to bring it in line with national educational development. We need also to make sure it dovetails with social and economic development in minority areas. Education must be given its right place. With far-sightedness and a good deal of courage, we must take education seriously and do a good job in it. We must put education on a sound footing even if it means we have to pinch and save elsewhere.

**3. Forge Even Closer Links Between Education and the Economy; Adjust and Optimize the Educational Structure Based on the Needs of Socioeconomic Development in Minority Areas**

Economic phenomena are the basis of all social phenomena. Economic activities regulate other social activities. Only by linking education to the economy to make the former serve and drive economic development will we vitalize education and give it staying power. We should forge closer and more rational organic ties

between minority education and the minority economy. Toward that end, we must do one thing right now: Adjust the mix of education properly so as to create the best possible proportionate relations among the various types of education. Reform has resulted in considerable progress in the adjustment of the educational structure. We must persevere in this effort. Right now we should strengthen basic education by gradually making nine-year compulsory education universal in accordance with a plan; develop higher education steadily, giving full consideration to the needs of minority areas in deciding what specialties to offer and in designing curricula, and taking pains to emphasize the strengths and minimize the weaknesses in order to improve quality; intensify vocational and technical education to accelerate the training of junior- and mid-level qualified personnel so education a priority, working hard to improve the caliber of the labor force. In short, minority education must be more closely tied in with local economic development and with the struggle by the masses to lift themselves from poverty and become wealthy. Make education more attractive. Target the locality and turn out urgently-needed personnel, but also look ahead to the future and nurture advanced and highly skilled personnel.

#### 4. Adhere to the Correct Educational Principles. Practice Strict Management, Expand Ideological and Political Work, Nurture a New Generation for Minority Areas.

The object of education is man. The direct goal of socialist education is to nurture people for socialist construction who have well-rounded development—moral, intellectual, and physical. And it is only through the activities of the educated can education fulfill its social role. Is education turning out qualified personnel for the development and stabilization of minority areas and the improvement of the quality of life of the various nationalities? This is the litmus test we must apply in determining whether minority education has succeeded or failed.

To turn out qualified personnel, we must strengthen ideological and political education and put moral education at center stage. Conduct ideological education to ceaselessly instill patriotism, socialism, communism, and collectivism in the masses of students. Educate them in the Marxist national point of view and the party's nationality policy. Such education should be lively and interesting, with an emphasis on practical results and bearing a close relationship to labor, production, and social practice. It should also be part of the effort to further the fine moral traditions of the nationalities. Because of the broad influence of religion among minorities, the party's religious policy should be implemented correctly to safeguard freedom of religion and belief. However, under no circumstances will religion be allowed to interfere with the national education system. We must work hard on every front to make our younger generation the reliable successors of the socialist cause.

the firm defenders of the unification of the motherland and unity among the nationalities, the selfless contributors to the prosperity of the fatherland and national progress, and a new generation with ideals, morals, culture, and discipline.

To turn out qualified personnel, we must practice strict management. We must learn from advanced management experiences and teaching methods, domestic or foreign, in order to improve the quality of education. The effort to improve the quality of education is constrained by factors that have to do with geography, teaching facilities, language, and other conditions, but this is a problem that must be worked out. Product quality makes or breaks an enterprise; the quality of education is just as important to minority education.

#### 5. Proceeding From Reality, Consolidate and Develop a Fully Dynamic Minority Education System.

China's nationalities differ in many aspects—the level of economic development, production and living conditions, tradition, language, religion, custom, psychology, education, differences even among members of the same nationality scattered over different areas and among different nationalities in the same area. In developing minority education, we must study and consider these characteristics carefully, proceeding from reality and adopting the right policies, measures, and methods. After decades of effort, China has tentatively put together a self-contained and highly distinctive minority education system. Nevertheless, we must continue to refine it to make it better, paying special attention to the following areas:

First, safeguard the autonomy of national autonomous regions to conduct minority education in accordance with the law. Such autonomy means, among other things, that organs of self-government are to decide the of operating a school, length of schooling, curricula, contents of teaching, staffing, hiring of teachers, and financial management based on the actual local conditions and under the guidance of uniform national educational principles.

Second, the student recruitment and distribution system must contribute to the training of qualified personnel in minority areas and help increase their number. In view of the current situation, it is imperative that the admission scores for minority candidates be lowered and their admission requirements relaxed appropriately. Directional admission should be increased to achieve a more reasonable ratio. Facts prove that this is an effective way to turn out qualified personnel in minority areas, particularly remote isolated areas where cultural development has been lagging.

Third, properly in line with local conditions, apply the bilingual teaching method—using the Han language in conjunction with a minority language. Meet the objective need of upholding linguistic equality between the

nationalities, continuing and furthering minority culture, and improving the quality of education. Where a minority language is in general use, bilingual education must be introduced depending on the extent of development of the minority language, historical circumstances, social needs, and the area's ability to operate schools. At the same time, we must do a good job in translating, editing, examining, publishing, and distributing minority-language teaching materials.

**Fourth, never stop looking for new and effective educational methods.** We have established college preparatory courses, the boarding school system, and minority courses, and have been offering courses in different locations, all of which helps further minority education. Besides continuing with these sound practices, we should make an effort to innovate and keep looking for new methods. Things do not stand still. One is bound to make new discoveries.

#### **6. Train and Build Up an Army of Qualified Teachers, Unite the Vast Number of Intellectuals and Make Minority Education a Success.**

An army of good teachers is a must for making minority education a success. China already boasts an army of 600,000 teachers in minority education. They are loyal to the party's education enterprise and have made a major contribution to the development of minority education. They are a precious asset for the party. We must continue to implement the party's policy on intellectuals well, uniting them and relying on them closely. Show that we care about them and fully utilize their expertise, talents, and wisdom.

To develop an army of good teachers requires specific measures in training and allocation. In minority areas, teachers, particularly teachers in elementary and middle schools, should be recruited locally, either to help stabilize the army of teachers or for reasons that have to do with the language or customs. This requires special recruitment and allocation measures. Among long-term teachers in private schools, those who are more ideologically oriented and professionally competent should be transferred to public schools after examination in batches. Establish teacher-training bases in minority areas to raise their level of professional skills. To encourage people to devote themselves to long-term minority education work as well as to encourage Han teachers to sink root in minority areas, they should be given more preferential treatment in terms of employment.

The development of minority education depends on tapping the initiative and creativity of large numbers of teachers. It also depends on those teachers teaching and

nurturing their students with a high sense of responsibility, setting a good example, particularly ideologically and morally, and functioning as qualified gardeners to cultivate qualified "peaches and plums"—pupils.

#### **7. Tap New Funding Sources and Increase Investment in Order To Ensure the Development of Minority Education Materially**

Like the economy, education requires material energy. In general, the rate of educational development is in direct proportion to the amount of material inputs. In minority areas, the level of economic development is low and educational investment limited. This constitutes a major problem for minority education. This is the countermeasure: Find new sources of funding, cut spending, and improve efficiency.

First and foremost, we must depend on the minority areas to practice self-reliance. By developing their economy, they will pave the way for increasing investment in education. Meanwhile, they should tighten their belts and cut back as much as possible elsewhere to fund education as a priority. Unleash the initiative of the masses. Increase social participation in education. Tap new sources of educational spending.

Even as we emphasize self-reliance by minority areas, we need strong support from the state. Minority education should be allocated a larger percentage of state educational funds. In allocating funds for universal elementary education, teacher training, and audio-visual education, the central government should give minority areas an appropriate amount of preferential treatment. Moreover, the necessary special education funds should be set up to ensure that the development of minority education is adequately funded. There is also a need to make special policies for minority areas to enable them to raise educational funds in more ways through more channels.

The educational development assistance that minority areas receive from developed areas is enormously significant. We have had some success and accumulated some experience in this area. We need to continue and steadily expand such assistance. By operating schools and training qualified personnel for minority areas and by operating schools jointly with them, exchanging experience, and offering equipment and books, developed areas help promote minority education.

When it comes to funding, economy is just as important as finding new funding sources. Practice strict budgeting. Be industrious and thrifty. Make sure every dime is well spent. Work hard to increase the return on educational investment.

In the socialist era, all Chinese nationalities are capable of shaking off cultural impoverishment as well as economic poverty. Surely they will stand tall among other nations in the world, presenting a brand-new look on the road to common prosperity.

## PLA Response to Changing Nature of Night Warfare

91PJD/794 Beijing JIEFANGJUN BAO in Chinese  
19 Jul 91 p 3

(Article by Xiao Hongping (5135 4767 1627) "Remarks on the Special Characteristics of Modern Night Warfare and Our Army's Night Training Reform")

(Text) From studying local wars in the world since the 1970's, we can clearly see that, for the most part, attackers launch their assaults at night or in the early morning hours. Therefore, armies of various countries are engaging in research on nighttime warfare with unprecedented enthusiasm and are continuously increasing the length and intensity of their nighttime training. According to statistics, the U.S. Armed Forces devote 40-50 percent of total training time to nighttime training, the Soviet Armed Forces 30 percent. We can predict that gaining the initiative in nighttime warfare will become a prominent issue in future wars.

Our Army has always been celebrated as the "Night Tiger." In revolutionary wars of the past, close combat and night combat were its forte. At that time, under circumstances in which our Army was inferior and our enemy superior, our Army used the cover of night to sneak into the enemy's camp and carry out disrupting raids, surprise raids, and secret raids, causing our enemy to scatter like ghosts and forcing them to admit that "nighttime is the domain of the Communist Army." Today it is of the utmost necessity that, starting from the special characteristics of modern night warfare, we correctly understand and draw from historical experience, reform the methods and content of night training, and reawaken the authority of the "Night Tiger" in future wars against aggression.

Whether speaking from the past or for the future, "night cover" can be a "natural ally" of either us or our enemy. However, if it is an ally for our enemy, it is a calamity for us; if it is our ally, then it is our enemy's "invincible opponent." In the days before night-vision equipment had appeared or when it was still rudimentary, the value of night cover was the same for both ourselves and our enemies. Because our Army was carrying out a just war and our troops feared neither hardship nor death, because we adopted tactics of agility and mobility, and moreover because we operated on native soil, our social circumstances were beneficial, our terrain was familiar, and the masses worked together with us, "night cover" was our Army's "natural ally." In future wars against aggression, these conditions will continue to be beneficial to our Army. However, we must recognize that, due to high-speed development of night-vision equipment, "night cover" is not sufficient to counter the existing technological gap between opposing sides. "One-sided visibility" has emerged on the nighttime battlefield, creating unequal opportunities for resistance and competition. At present the armed forces of some developed

countries are equipped with large quantities of night-vision equipment—including infrared viewers, targeting detectors, laser nighttime viewers, and microwave radar—with operational distances of 10 kilometers to dozens of kilometers. Their commanders, down to individual soldiers, are able to act with confidence in nighttime viewing, aiming, and driving, as if operating in daytime, even to the point that they can obtain a clear picture of their target in a fog-laden environment at night. Therefore, in choosing operational timing and positioning, they possess relatively better initiative and agility. Englis said that weapons development determines changes in operational methods. The development of night-vision equipment has enabled modern campaign and battle actions to universally take on a mode of uninterrupted, continuous all-day implementation.

Of course, advanced night-vision devices are not mysterious, unopposable things. In defense, for whatever kind of spear there is, a corresponding shield will certainly arise, just as newly appearing reconnaissance methods inevitably spur the development of analogous tactics of disguise. The development of night-vision equipment also will invariably compel even more soldiers and scientists to actively consider devising new tactics and technologies for nighttime disguise.

In our Eastern military theory we have always emphasized achieving victory through strategy. We must prepare to defeat enemies with superior technology by using our own inferior technology and we must stress even more "using knowledge to make up for this inferiority." We must recognize that when "night cover" no longer represents an obstacle to combat operations, night warfare tactics and methods must change accordingly.

First of all, nighttime operations must emphasize disarming the real with the fake. All soldiers on the battlefield vary in their ability to make correct judgments from what they observe. Therefore, the idea that "there can never be too much deception in war" has become a battlefield reality. In past wars, "showing a false appearance" was used in daytime warfare. This was because "showing a false appearance" was done expressly for the enemy to see. At night it is difficult to see, so naturally there has been no need for this "showing of false appearances." In the history of war, although there were such instances as Napoleon's "campfire ruse," or attackers turning on their vehicle lights to pierce enemy defenses, those were only happenstance applications—embellishments to night warfare. However, in night warfare today and in the future, "showing false appearances" will become a universal pattern, as common as in day battle.

Second, in employing disguise through the "showing of false appearances," future nighttime warfare must uphold the principle of "coordinating with the regular and winning with the irregular." In past operations, nighttime actions were by their nature irregular actions, so there was no need to coordinate them with a display of

regular troops, while the goal of a swift, successful attack could still be realized. Under modern conditions, nighttime warfare operations must distinguish between "regular" and "irregular," flexibly employing the principle of "regular and irregular complementing each other."

Finally, as for our Army, night combat has always been spoken of side by side with close combat. The aim of using "night cover" has been to gain the upper hand, penetrate, and get close to the enemy so as to render him unable to exploit his strengths, and to allow full use of our own superior aspects. Under circumstances where the enemy possesses advanced night-vision equipment, to resolve the problem of getting close, besides using disguise tactics, we should put into play our superiority in people's war, utilizing the protection of the people and all the benefits on the battlefield gained through the

people. When the enemy is better able to discern targets at nighttime, we must accordingly change our set military thinking and achieve during the daytime with the help of the masses those operational deployments that in the past had been accomplished at night.

From the revolution in future nighttime warfare tactical thinking, we can discern the direction for reform in our present night training. In the past, when speaking about night training we could not get away from the old adage of "lightly creeping forward step by step", and thus we did not sufficiently study how to deceive and bewilder the enemy, show the false and conceal the true, and implement trickery and use plots. Looking forth from the present, today's training must emphasize training in strategy and improvement of tactics.

### Article Questions Arms Purchases

91CM0470B Hong Kong CHIU-SHIH NIEN-TAI /THE NINETIES/ in Chinese No 256, 1 May 91 pp 54-58

[Article by Liu Chien-sheng (2692 0256 3932): "Where Do Taiwan's Arms Come From? The Dangers of Putting All One's Eggs in One Basket"]

[Text] Ch'en Lu-an [7115 1461 1344] said: "From the 1960's until the 1980's Taiwan had no money to buy weapons, but during the 1980's and the 1990's, Taiwan has had money, yet it cannot buy the weapons it needs." Taiwan has always relied on the United States for weapons purchases. During the past 10 years, it has decided to buy weapons from other countries, but it is still beholden to the United States.

Ever since the rupture of diplomatic relations with the United States in 1978, Taiwan has been unable to free itself from the United States in the development of weaponry. This, together with Chinese Communist obstructionism, has posed serious challenges to Taiwan's thoughts about weapons purchases abroad and a dispersal of the sources from which it purchases weapons.

#### Ch'en Lu-an's Sigh

This situation forced Ch'en Lu-an, minister of national defense, to say with a sigh to members of the Legislative Yuan: "Taiwan had no money to buy weapons from the 1960's until the 1980's, but during the 1980's and 1990's Taiwan had money, but it was still unable to buy the weapons it needed." The reality that Ch'en Lu-an's sigh conveyed was the question of what source will Taiwan use to get the weapons it needs. If Taiwan relies solely on the United States to supply weaponry and if something should happen in the Taiwan Strait, would Taiwan's survival depend on the attitude of the United States? Just how has the military used the high budget that it has had for the past more than 40 years? Why is Taiwan still beholden to others for weapons development? Since it is beholden to others for weapons, why is it that so much has been spent on national defense without obtaining dependable and stable national defense security in exchange? In an uncertain survival environment, why is it that the military has never taken the initiative to explain the extent of the security threat that Taiwan faces? Instead, in its endless emphasis on the "sense of doom" has it used Chinese Communist military force to threaten the people of Taiwan?

Lurking behind this series of worrisome problems is an extremely serious issue. Is it possible that for the past more than 40 years Taiwan has had no clear-cut weapons procurement policy? Just where has the military spent the 50 percent of the central government's total budget that it holds and the 6 percent of GNP spent on national defense?

#### Dependence on the United States for Weapons Supply

The main reason for Taiwan's reliance on the United States for weapons procurement during the past more

than 40 years is that the decision makers never thought the day would come when U.S. assistance in weapons might be cut off. Thus, in order to sustain their dreams of "counterattacking to recover the motherland," the highest level authorities steadily expanded the armed forces, applying large sums of national defense expenditures to the maintenance of personnel. They also willingly played the role of pawn for the United States in the Taiwan Strait area, waging "proxy wars" for the United States to show their ability to stand up to the Chinese Communists. During this period, high ranking military officers never even considered dispersing the sources of weapons, thus, procurement of weapons from the United States became the sole choice. Possibly because of U.S. support, the military never engaged in research and production of conventional weapons after the halt in U.S. assistance during the mid-1960's. It did not take the road of "independence and hold the initiative in its own hands."

By comparison, following the establishment of their regime in 1949, the Chinese Communists were able, with the help of the Soviet Union, to make their own combat aircraft, warships, and tanks by the 1960's, and in October 1964, they successfully tested an atomic bomb, thereby fulfilling the task of independently building their armed forces. Very shortly thereafter, in the 1970's, they devoted full efforts to the development of strategic delivery vehicles and to spaceflight. As a result, they created a sizeable military threat to Taiwan.

Following the successful Chinese Communist test detonation of an atomic bomb in 1964, the Taiwan military formally founded the Chung Shan Scientific Research Institute in November 1965. The founding of the Chung Shan Scientific Research Institute was stimulated entirely by the Chinese Communists for secret research on nuclear weapons. However, the Chung Shan Scientific Research Institute was still disinterested in the research and development of conventional weapons. Therefore, during the 13 year interval between the founding of the Chung Shan Scientific Research Institute in 1965 until the rupture in relations between Taiwan and the United States in 1978, virtually all the important expenditures were for research on nuclear weapons and biological and chemical weapons.

#### Weapons Deals Extend to More Than 20 Countries

Affected by the breaking of diplomatic relations between Taiwan and the United States, the military was still not alarmed that the day might come when the United States would limit military sales to Taiwan, so it was not until the United States signed the "17 August Communiqué" (in 1982) with Beijing limiting U.S. arms sales to Taiwan that Taiwan realized the seriousness of this problem and made the painful decision to purchase arms from other countries. Although Taiwan made weapons deals with more than 20 countries between 1980 and 1990 (See attached table), its policy of purchasing major weapons from only the United States remains unchanged to this day. Actually, the weapons and equipment listed in the

attached table show that the deals covertly supported by the United States count for more than 85 percent of all transactions. Clearly Taiwan's efforts to decentralize its sources of supply of weapons are still controlled by U.S. hands.

Take the 1980 Taiwan purchase of submarines from the Netherlands, for example. Although ostensibly the United States did not intervene, when Taiwan and the Netherlands signed an agreement for "complete logistical maintenance," the Dutch required Taiwan to "purchase spare parts for specific purposes." Thus, the "complete maintenance" agreement became a piecemeal agreement, and it restricted Taiwan from using spare parts in other naval vessels. At the same time, the Dutch turned over, in advance, to the United States the communications equipment used in the submarine. They made it subject to agreement between the United States and Taiwan, thereby limiting Taiwan's armaments.

Actually, not only the Netherlands, but the United Kingdom, France, Italy, Germany, and Belgium wait for a nod from the United States before selling arms to Taiwan. Before delivering weapons and equipment to Taiwan, the United States has to be notified and give its advance consent. Only then can they be sold to Taiwan. Take the purchase by Taiwan of MHC mine hunters from Germany, for example. Application for purchase from Germany was made in the name of the Taiwan Petroleum Corporation for the purpose of "oil exploration." When the United States found out about this later on, it brought all sorts of pressures to bear on Germany to modify the MHC mine hunters to limit their military usefulness to Taiwan. Actions of the United States show why Taiwan cannot remove the bottlenecks to military equipment purchases abroad. In addition to factors for which Taiwan is itself responsible, U.S. limitations in many regards on Taiwan's military equipment are one key element.

#### **Leaders of Faction That Has Studied in the United States Decide Procurement Policy**

For more than the past 10 years, Taiwan has emphasized the importance of a policy for diversifying the sources of its weapons; however, implementation of this policy has been far from complete largely because of numerous inherent reasons.

For the most part, the main weapons policies of all the advanced nations of the world are in the hands of the ministry of defense or civil servants. This is not the case in Taiwan where the formulation of policies for the purchase of military ordnance is in the hands of professional military men. The military is limited by inadequate understanding of advanced science and technology, and it does not have sufficient knowledge about "trade negotiations," and the "handling of commercial disputes." This means that when the generals decide policy, they can only consider issues solely in terms of "having is always better than not having"; they cannot factor in "cost-benefit" concepts. This was the case when the military purchased M-48H tanks, S-00MD anti-submarine aircraft, S-70C anti-submarine aircraft, and S-2T anti-submarine aircraft improvements and produced the IDF fighter aircraft. The reason that questions were raised repeatedly about purchases of Chaparral missiles and AIM-9P ground-to-air missiles was none other than the public refusal to subscribe to the way in which the military handled matters.

This situation, like military reliance on a single source of weapons in deciding its procurement policy, holds very great risks. This risk is like placing all of one's eggs in a single basket. Should something happen all of a sudden, the result would be a foregone conclusion. Furthermore, a small number of generals who hold decision making authority are virtually all members of the faction that studied in the United States. Their competence to make decisions is limited to the United States and the United States decides just what military equipment it will sell. Given this situation, the "weaponry" that Taiwan needs is at a high degree of "artificial" risk, and one cannot say that the outcome may not be very serious.

**Table Showing Foreign Sales and Taiwan's Own Manufacture of Equipment**

Armed Service	Company	Designation
Army	Lockheed	Hawk missiles
	Bofors (Sweden)	31 mm Bofors rapid fire gun
	Bofors	40 mm Bofors rapid fire gun (naval use)
	Deviation (Sweden)	35 mm self-propelled rapid fire gun (AAQ)
	Bell	UH-1H (Iroquois) helicopter
		20HH-47 helicopter
		CH-14 twin rotor heavy helicopter
		AH-1 Cobra helicopter
		Laying vehicle [p'u-shu ch'i 601? 6020 6030]
	Chung Shan Scientific Research Institute	Battlefield instantaneous information system
Naval Air	Sikorsky	S-70C SH-60B Sea Black Hawk helicopter
Navy	Hughes	MH-500 Anti-submarine helicopter

Table Showing Foreign Sales and Taiwan's Own Manufacture of Equipment (Continued)

Armed Service	Company	Designation
	Vosper Thornycroft (Singapore)	FAB missile speedboat
	Oto Melara (Italy)	76 mm rapid fire gun
	Tacoma	PSMM MK-5 multi-mission missile speedboat (PG-84, Asheville Class, Lung Chiang Class speedboat)
	Honeywell	SPS-10 naval control radar (DD and Crowley, Shan Class)
		SPS-12 naval control radar (Fletcher, Yang Class)
Air Force	Emerson	AN/APG-69 radar (F-5E)
	Emerson	AN/APQ-139 radar (F-5E improved)
	Garrett	TFE-1042 Gale fighter/731 engine (AT-3)
Army	Hughes, Lung-hsun Plant, Kaohsiung	Anti-tank ammunition, hand grenades, D-120 explosive, rifle cartridges, 20 and 40 mm artillery shells
	MacDonald	MIM-23B improved Hawk missile (also to be sold to the Chinese Communists)
		MIM-14B Nike missile
		M041 tank
		M-113 light armored personnel carrier
	Bell franchisee	M-148H and M-148 series tank
Navy	Ford Aerospace & Communication Co.	Yang Class new HW-931 fire control system and EW equipment, MIM-72F M-34, quadruple-mount Sea Chaparral missile (Type A Army Model M-48)
	RCA	Yang Class HR-76 radar
	Italy	Small submarines (lots of them).
	General purpose Argo	Yang Class AR-600, IESM MK-15 Phalanx Close-In Weapon System (CIWS)
Air Force	Northrop	ECM weapons
	Northrop	XC-2 (cooperation)
	MacDonald	RF-101C
		RF-101C Tikkie-102A long range reconnaissance system
	Hughes	AGM-65C Maverick missile
	Grumman	S-2A/E anti-submarine aircraft
	Rockwell	AGM-12 [no nos 3485 3482] missile (air to ground)
	Douglas	C-47 Skytrain transport plane
	Douglas	C-118B Lifemaster
Army	Duster [sic]	M-109A1 howitzer
		M-110SP-A2 howitzer
		M-42 defense gun
		V-150 (copy of U.S. Commando armoured vehicle)
		M-41 tank
		M-18 76 cm tank gun
		1/4 ton jeep
Navy	Israel (franchised to China Shipbuilding Company for manufacture)	LVT P4/S armored landing transport
		Dvora Class missile speed boat (Taiwan Tzu-chiang (Ra-De) class)
	Vosper Thornycroft	New model anti-submarine frigate
		HU-16 Albatross seaplane
	RSV (the Netherlands)	New model submarine (Sea Dragon/Tiger) ASW (Improved Zwaardvis type)

Table Showing Foreign Sales and Taiwan's Own Manufacture of Equipment (Continued)

Armed Service	Company	Designation
		Gambusia Class 2 submarine (Sea Lion/Leopard) attack type
Air Force	Westinghouse	TPS-43 aerial reconnaissance/search radar
	Fairchild (representative)	C-119 flying boxcar
		C-123 provider
		Laser target designator
	G.E.	J79-GE-11A engine (F-104)
	G.E.	J85-GE-X3 engine (F-5A/B)
	AVCO	J85-GE-21 engine (F-5E/F)
	Lycoming	T-53 engines (used in X-2 and T-28)
	G.E.	Gas engine X3 (Long Cheng/Huan Chang)
Army	Beech	T-34C trainer plane (Purchased in 1983)
	Hughes	TOW anti-tank missile (Also sold to Chinese Communists)
	Hsinghua Arsenal, Taoyuan	M-1 infantry rifles and carbines, 42 mm mortar
	Yingtung Arsenal	M-1A-1 assault rifle, hand grenades, incendiary bombs, land mines
	Malmang Arsenal	M-60 light machine guns
	U.S. Arsenal	M-29/40 recoilless anti-tank gun
	U.S. Arsenal	M-19-11A1 Colt 45 automatic pistol
	U.S. Arsenal	M-19-59 commanding officer's pistol
	Pacific Ocean Motor Vehicle and Munitions Factory	M-115 203 mm towed artillery
	General Pomona Group	SM-1 Standard Intermediate Range Missiles (RIM-66B and United States Army MR (medium range) type
Navy	Chung Shan Scientific Research Institute	Missile Speedboat Missile Fire Control System
		Missile Speedboat (Premier Class)
	South Africa/Chung Chuan	MK-75 cm rapid fire gun
	MTU (Germany)	81 engine (Hai Gu/Tze-chiang Class missile speedboat)
	Signaal (Netherlands)	Electronic equipment (Submarines, SEWACO submarine combat system DA-08 radar (Yang Class))
	Bentlick (Netherlands)	Bentlick internal combustion engines (submarines)
	Whitehead (Italy) Marconi (U.K.)	21 inch Tiger Fish torpedo (Used with Sea Lion)
Air Force	South Africa and Israel	Tien Wang semi-automatic precision command system (includes a Model 4118 digital computer and a large computer-operated control hand table (C.R.T.) that can be connected to radar); Thorite and Shafir missiles
	Hughes	M-19A2 20 mm machine cannon (F-5F), M-61 Vulcan 20 mm machine cannon (F-104)
Army	United States and Hsinghua Arsenal at Taoyuan	Model 57 rifles and machine guns (M-14/M6)
		Model 65 automatic rifle (M-16) and grenade launcher
		M-134 six barrel anti-aircraft machine gun
	Israel, Combined Logistics Department, Taiwan Machinery, Taiwan Aluminum, and Hsing-Hua Arsenal	Model M-68 152 mm self-propelled howitzer (extended range)
	Taiwan Machinery, Taiwan Aluminum, and Hsing-Hua Arsenal	M-24 flame-throwing tank; improved Model M-41 tank
Air Force	Northrop	T-33L/13B engine (UH-1H, X-C2 used with Chung Hung)
		APQ-133TC radar (F-5E improved type)
		A/PQ-113 attack radar (F-5E improved type)

Table Showing Foreign Sales and Taiwan's Own Manufacture of Equipment (Continued)

Armed Service	Company	Designation
		ECM electronic countermeasure system (F-1E improved type)
	Westinghouse	ALQ-101 (V) jammer (F-1E improved type)
Navy	Israel	Twin mount X2 40 mm air defense gun (ASROC, Yang Class Orang)
		Twin mount X2 Sea Chaperon missile (Yang Class Anyang, Ch'ingyang, Kunyang, and Kunyang Fletcher Class)
	Selenia	Gabriel MK-1 (Huang Feng missiles Yang Class Huayang, Xiangyang, and Hengyang; Allen Summer class)
		Oreca RTN-10X fire control (Yang Class Huayang, Xiangyang, and Hengyang; Allen Summer class)
		Stateen tube RA type N-11X/L fire control (Lung Chang) secondary shell and chaff launcher (Yang Class)
Navy	Europe; the United States	MK-35 76 mm 6 inch gun (twin mount X3)
	Joint Ship Design Center	100 ft and longer missile speedboats, DD
Army	Pratt and Whitney	(RF-101C Voodoo reconnaissance aircraft) J37-P13 engine
	Cogema (France), RTZ	Uranium
	(U.K.), South Africa, United States	
	Boeing	Boeing 720, 727
	Italy	Type 184 torpedo (Japan)
		Model 525 torpedo launching tube (Japanese made Fukkyo and Setsukaju specifications)
	United States	Naval control radar SPS-9 (Chung Cheng, Tong Hai Class Amphibious Ships)
		MK26 fire control system (Chung Cheng, Tong Hai Amphibious Craft)
	Seaboard Steel, Bach, Todd Pacific, Charleson, Delsie, Portsmouth, Drydock, Kaiser, Cargill, Tampa, Taiwan	Klipschmidt frigates (APD-134, Tien Shan); Fort Monroe Shipyard amphibious craft (LSD-22, Chen Han); LST amphibious craft (619-499) (Chung Class Chung-chi), Chung-chuan, Chung-hai, Chung-teng, Chung-han, Chung-jen, Chung-wan, Chung-pang, and Chung-meng); LSM amphibious craft (Mei Class: Mei Ming, Mei Sung, Mei Ping, and Mei Lei); LCU amphibious craft (Ho Class Ho Sheng, Ho Ming, Ho Yang, Ho Chen); Medium size LSIL's and LCM's (270 ships); LCT's Lao, Ho, and Kuo totaling 33 ships; LCB's, and approximately 30 Type A auxiliary ships including icebreakers and transports, AD tankers, AR's, Yang Kang coastal transports, repair ships, and AT tugs
	Chung Shan Scientific Research Institute, and Tsinghua Machinery Casting, the United States and Hong-nui Arsenal at Taiwan	(M-101A1) Model T-44 105 cm self-propelled howitzers and cannons
	Chrysler	(M-114) Model T-45 155 self-propelled howitzers and cannons; Military electronic observation devices
Army		Military radios
		Military electronic telescopes
		M-48A3 electronic instruments
	Lockheed (United States), Raytheon, Contraves (Sweden)	Tien Ping air defense system (ADM-7P Sparrow missile; Tien Ping 35 mm anti-aircraft gun)
	United States and Chung Shan Scientific Research Institute	Star sensor, TS-72夜视步兵夜视仪, heat imaging coastal detection system
	United States and Chung Shan Scientific Research Institute	Tank star sensor, Model TS-73 infantry rifle night sighting device

Table Showing Foreign Sales and Taiwan's Own Manufacture of Equipment (Continued)

Armed Service	Company	Designation
	Australia, and Hung-hua Arsenal	Laser range finder, Model 68 automatic rifle (AUG-77), army multi-purpose automatic infantry rifle.
	Wei-chuan Machinery Plant	Amphibious jeep
		UZI assault gun
	United States and the Hung-hua Arsenal	Model M-2 107 cm recoilless gun
		(M-18) T-65K infantry rifle (made in 1985 and 1986)
		(M-60) T-76 7.62 platoon machine gun (made in 1985 and 1986)
		Naval air machine gun and ammunition appurtenances
	United States and Yen-ch'ing Arsenal	Tanks, motor vehicles and other accessories for tanks, cars, aircraft, ships
	United States and Chi-nung Arsenal	Regulation guns, arm., ... and bombs, improved 155 m and 8 inch howitzers, improved tank guns (gun self-retracting, long, thin gun barrel concentrically pressuring and wear-resistant metal torch welding)

Source of data: Jane's Weapons Yearbook, INTERNATIONAL DEFENSE MONTHLY and British International Weapons Archives

### Enterprises Slow in Capital Investment

91CE0716B Taipei CHING-CHI JIH-PAO in Chinese  
28 Jul 91 p 2

[Comprehensive Report: "Enterprises Are Reluctant To Cross the Green Light, Factors Restricting Investment Desire Still Exist Extensively"]

[Text] The Economic Construction Commission on 27 July announced the economic strategic signal for June, indicating that the economy has passed the stage of yellow and blue lights which lasted for 15 months and begun the recovery of green light. But as far as industries are concerned, the "green light" does not indicate "all-round recovery" and "all-round increase in investment desire." Factors restricting enterprises' investment desire still exist extensively.

The industrial circle generally thinks that enterprises do not use the government's economic signals as the main basis for deciding whether or not to make new investments. Their main basis is profit rate plus the prospect on the future development of various industries. Because of this, except for electrical machinery, electronics, and real estate which continue to make investments, all industries are still waiting or proceeding with current plans.

The comprehensive industrial circle thinks that factors restricting investment remain to be outdated rules and regulations, inaccessibility of funds, labor shortage, and the crisis caused by water and power restriction and failures. The industrial circle hopes that the government can improve on some problems while announcing economic recovery.

For instance, first take the textile industry, of which the output and export value always rank first or second in Taiwan. Excepting chemical fiber industry which is in the upper reach, all large-scale investments of spinning,

weaving, dyeing and cleaning, and ready-made clothing industries in the middle and lower reaches will come to a near halt in the next two years.

Not only has the number of large-scale investments declined but all investments have concentrated in large textile groups such as the Taiwan Plastics, Hualung, Far East, and Southern Textile companies. This makes many people worry about the future development of Taiwan's textile industry.

Currently known large-scale investment projects include the 2.7 billion new Taiwan dollar POY polyester fiber drawing plant which has a daily capacity of 100 metric tons, the 3.5 billion new Taiwan dollar nylon and long-filament expansion plan of the Taiwan Chemical and the Fumao Industrial companies, the 1.8 new Taiwan dollar polyester fiber production increase plan of the Hualung Company, the 1 billion new Taiwan dollar POY production expansion plan of the Far East Textile Company, and 1.8 billion new Taiwan dollar polyester fiber expansion plan of the Tainan Textile Company.

These investment projects are concentrated almost all in the "long-filament system." As for the "short-filament system," except for the Tungho Textile Company which has made some scattered textile investments, large-scale investments in the equipment of short-filament products, will be rare in Taiwan.

Lai Wu-lang [6351 0063 6745], a spokesman of the Fumao Industrial Company, said that the domestic textile market began to improve in February and March 1991. But the Fumao Industrial Company did not respond to the improving economic situation by making a temporary decision on new investment plans.

The Tainan Textile Company began in 1990 to look for a proper opportunity to switch investment and has yet found a suitable direction. Since the past restriction that

prevented textile companies from engaging in construction has been changed, the Taiwan Textile Company will make an effort in the area of land investment.

Take the automobile industry for instance. Investment plans of auto industries which will soon make a large move and attract most people's attention include the plan of the Chingfeng Group and German Fusi Auto Company to produce commercial vehicles in Taiwan, and the plan of Korean Hyundai and Wangchi Auto Companies to manufacture sedans. In the next three years, each plans to invest 3 billion new Taiwan dollars, including funds to buy land and build plants. Huang Shih-hui [7806 0013 1920], board director of the Chingfeng Group said that importing German technology benefits the industry as a whole. Although the market is nearly saturated, it is possible to develop in the Far East area. So he decided to make the huge investment. The Wangchi Auto Company decided to expand the market with local manufacturing in order to bypass the restriction posed by the import quota of Korean cars.

There are two other investment plans proceeding quietly. One is that the Kuojui Automobile Plant is working on a plan to expand the sales and production, the other is that the Ford and Liuho Auto Companies plan to expand the equipment of production line. These two auto plants belong respectively to two major Japanese and U.S. systems. Because the demand for these varieties has outstripped the supply, they are evaluating the market situation and planning to expand production in a steady manner.

With regard to auto part plants, according to the investigation of the production consultation commission of the Ministry of Economic Affairs, new finalized investment plans include the Tungyang Industrial Company's plan to invest 450 million new Taiwan dollars in the automation plan of the whole plant, and the Liuho Machinery Company's plan to invest about 200 million new Taiwan dollars to rebuild a precision machine processing and molding plant.

What is noteworthy is that in many cases, the auto industry starts planning on investment when the economy is still sluggish. As soon as they see the first sign of recovery, they will speed up the implementation of their plans to seize the best commercial opportunity.

With regard to the iron and steel industry, southern iron and steel business owners pointed out that the investment of the iron and steel industry is made according to the phases of a long-term plan, so the signal of economic recovery will not cause the industrial circle to invest immediately to expand or build new plants. However, the real criteria for the investment plan of business owners are the availability of land for industrial use, the labor issue, and the cost of environmental protection.

Chu Yung-hung [2612 3057 7703], deputy general manager of the Anfeng Iron and Steel Company said. The economy fluctuates. The iron and steel industry looks at long-term economic trend. Especially when the market

for domestic need-oriented steel products expands, iron and steel companies will consider it as a factor attracting investment.

Chu Yung-hung said: Anfeng is a new plant. It is devoting all its efforts to the improvement and stability of production capacity and product quality. Anfeng will also make a long-term plan for further investment, which is still being studied within.

Chu Yung-hung pointed out. How to increase domestic need-oriented market is an important factor stimulating the investment desire of the iron and steel industry.

Yao Po-i [1202 0590 3015], general manager of the Yanwu Enterprise, said. Economic recovery is probably a definite trend, but currently Yanwu does not have any desire to invest. Even if it does, it would probably invest overseas.

Yao Po-i pointed out. The improvement of the economy will raise the profit level of the industrial circle in the second half of 1991. But the cost of obtaining land for industrial use is too high in Taiwan in addition to the labor shortage and high cost of environmental protection. Before these unfavorable investment factors are improved, investment returns are not high, so we would be better off investing in overseas plants.

As for those steel mills which use electric steelmaking furnaces, they are still under the shadow of power restriction and failure of 1991. This is why the economic recovery still cannot raise business owners' desire to reinvest.

The Haskuang Iron and Steel Company will not implement its plan to invest in the expansion of steel smelting and rolling mills and production lines until it knows for sure that power supply will not be insufficient. The Hsiehshengfa Iron and Steel Company also questioned the possibility of guaranteeing investment returns of plants under the condition of insufficient power supply although the economy has recovered.

With regard to the food industry, Chien Ming-cheng [4613 2494 2973], spokesman of the Taishan Enterprise, said that Taishan will invest over 330 million new Taiwan dollar to add Huentsaoma production equipment and invest 36 million new Taiwan dollar to improve salad oil production equipment. These new plans will be implemented within the next two years.

Kao Ching-yuan, president of the Tung-i Enterprise, said. Since the economy is on the rebound, Tung-i also wants to increase beverage production lines and expand production capacity. But because the demand of Taiwan market is limited, the management of the Tung-i Enterprise has slowly turned toward the international market. This is an inevitable trend of Taiwan's food industry.

Chen Ching-jen, general manager of the Aichihwei Company, said that although the economic strategic signal of June was confirmed to be green light, as far as the food

industry is concerned, we need to observe another two to three months before we can make more concrete judgments.

Chen Chung-jen pointed out that the production and marketing situation of Aichihwei is a full reflection of 1990's additional investment plan. In other words, many new production lines and products of Aichihwei have just begun production and marketing. Aichihwei will not make another new investment plan until the current one yields full returns.

However, Chen Chung-jen also said that the real estate market is on the rise and that the Liengpang Construction Company which has investment from Aichihwei has begun promoting advance sales of residential buildings on Wenhua and Chunghsiao Roads of Chiai City.

The wire, cable, and plastic industries each have concrete investment plans. Sun Tao-tsun [1327 6670 1317], general manager of the Pacific Electric Wire and Cable Company, said, In the past one or two years, Pacific has continuously invested over 2 billion new Taiwan dollars in communication and power cables and optical fibers. The economic recovery further confirms the correctness of these investment moves. These investment moves are still being carried out.

Sun Tao-tsun said, Pacific has a historical status and responsibility in the electric wire and cable industry. Continuously developing, upgrading, and deeply cultivating the electric wire and cable industry is also the development principle of Pacific. Whether the economy is brisk or sluggish affects only the tempo of development. After the implementation of the above investment plans, Pacific will be able to produce 161KV superhigh pressure power cables and optical fibers. Its production capacity will also be increased substantially.

To coordinate with the Six-Year National Construction Plan and emphasize the future demands of Southeast Asia and entrepot trade with Mainland China, the Taya Electric Wire and Cable Company, the Chengtao Industrial Enterprise, the Chimei Industrial Enterprise, and the Youta Resin Chemical Industrial Enterprise respectively invested large amounts of money to purchase new production equipment, expand plants, and develop new products.

Taya pointed out: To improve the company's product mix and coordinate with the needs of the Six-year National Construction Plan and the telecommunications bureau, Taya will borrow 370 million new Taiwan dollars to import the equipment for manufacturing the three-tier nitrogen-filled and insulated outgoing system. In order to guarantee the source of copper which is the main raw material, Taya transferred investment to the Tachan Company which imported SCR continuous bronze bars from the United States.

In order to disperse product markets, the Chengtao Industry invested a couple of years ago in the Malaysia Chengtao Plant whose products recently passed the test

of the biggest local auto plant. Based on the monthly production capacity of this plant, which is 10,000 vehicles, and the local government's policy of increasing the proportion of local products, Chengtao planned to increase investment to expand the production line of the Malaysia Chengtao Plant in an effort to ensure full supply and set a higher record in the volume of business. It also gave first consideration to the rate of occupation of the Southeast market.

In order to expand the Japanese market and the entrepot trade with Mainland China and The Chimei Industrial Enterprise, the Chimei Industry also borrowed money to expand the construction of PS and ABS plants. Before the end of 1991, the PS plant whose annual production capacity is 120,000 tons will join the operation.

### **Editorial Views New Banks, Sluggish Stock Market**

91CE0716A Taipei CHING-CHI JIH-PAO in Chinese  
29 Jul 91 p 2

[Editorial: "New Banks and Sluggish Stock Market"]

[Text] Taiwan's stock market was sluggish throughout July. Not only was the stock price index unable to pick up but the volume of business was only around 20 to 30 billion new Taiwan dollars per day. Some people interpret this phenomenon as a reduction in speculative activities and a return to normal economic activities while others hold that it is caused by the loss of market funds due to the fund raising operation of new banks. These two interpretations hold two different views on future economic activities. Which is more rational? This is an important question concerning future economic movement.

First let us talk about the view on the loss of funds. In late June the Ministry of Finance examined and approved the planning and establishment of 15 new commercial banks. It is estimated that in the following two months the original sponsors need to come up with about 70 billion new Taiwan dollars to pay for shares. Later, they will openly raise up to 30 billion in shares. It is possible that a total of 100 billion new Taiwan dollars will be withdrawn from the market. This will, of course, have a great impact on market funds, thus causing the stock price index and the volume of business to slide continuously. There is a glimmer of hope in this explanation of stock market. It includes the flow back of funds absorbed by the new banks and the expansion of credit after new banks begin operation. All this will cause market funds to increase again and the prosperity of stock market to reappear. On the surface, this reasoning is fairly convincing. As long as these three or four months are over, there will be hope. But if we look at other financial information, we will not easily accept the view that the loss of market fund has caused the stock market to become sluggish. This is because that in June the annual increase rate of M2, which was frequently used by the Central Bank of Taiwan recently to indicate the amount of money supply, exceeded 15 percent, the highest in two years. And the total amount of deposits of

financial organizations also exceeded 7,000 billion, an all-time high. All these information shows that there is plenty of money on the market. The question is why these funds stopped operating in the stock market.

Let us now talk about the view on the reduction of speculation. In July the volume of business on the stock market was only about one-fourth or one-fifth of the highest standard. Most people no longer ask "what stocks are you buying" when they exchange greetings. All signs show that the prosperity of stock market is a thing of the past. Plus the fact that the turnover rate of stock has declined substantially, it is obviously correct to say that the speculative atmosphere of the stock market has declined substantially. However, has the manpower previously absorbed by the prosperity of stock market returned to industrial departments to participate in normal production since the stock market became sluggish? Judged from the employment market, we have not seen any obvious return of stock market investors to the employment market except for the large number of new people hired due to the graduation season. Those industries suffering from a shortage of manpower are still worried about the shortage of workers. In some industries this problem is even worse now than before. This shows that the sluggish stock market has a cause-and-effect relationship to investors' wait-and-see attitude. Most investors are holding their money and waiting on the stock market. They are waiting for a proper moment to make another dash.

General economic factors are the main cause turning investors from actively participating in transactions to passively waiting and observing. We all know that 1991 is the first year of the Six year National Construction Plan. Our government implements a policy to stress domestic needs and our exports still maintain a proper growth rate. Based on these, our economy should be fairly lively, thus enabling the stock market to maintain a moderate degree of prosperity. But looking back on the past six months, our economic performance was not very satisfactory. One reason is that the factor of environmental protection hindered the investment of the No. 4 Nuclear Plant and the No. 6 Light Industrial Plant.

Another reason is that the source of funds limited the progress of investment in public construction. Under these limitations, the stock market lacked favorable factors, resulting in the wait-and-see phenomenon. As the turnover rate of stock declines, the stock market will become sluggish. Because of this, there has not been a great loss of market funds, nor has there been an obvious decline in market speculation. What happened is just that stock market investors are observing and waiting for a turn for the better.

Without considering the improvement of essential factors, new banks have a lot to do with the revitalization of stock market. Looking back on the history of Europe and America, the number of banks generally followed the trend of economic activities. When the economy was good, the number of banks increased and bank credit was used to support the continuity of economic prosperity. When the economy was bad, the number of banks declined, thus extending the period of recession. This does not mean that banks would directly increase the working funds of stock market to help it revitalize. Instead, banks would increase the credit of industrial departments, help maintain the investment desire of private sectors, and cause Taiwan's economy to recover substantially. Only this kind of essential improvement can restore the confidence of investors staying in the stock market, thereby helping Taiwan's stock market resume its normal development.

In sum, since essential economic factors deteriorated, Taiwan's stock market has become sluggish, stock investors are waiting, and there is no sign showing that manpower has returned to the production system. It is a coincidence that new banks are raising funds for their establishment during this period. But judged from the entire supply of market funds, this loss of funds is not the main cause of the sluggish stock market. On the contrary, after new banks begin operation, the stock market will have a chance to improve. However, at the same time, Taiwan's economy and finance will undergo significant and essential changes, which should be our ultimate concern.

### **Worsening Sino-British Dispute Over New Airport Plan**

91CM04084 Hong Kong PAI HSING /THE PEOPLE/ [in Chinese No 24], 1 Jun 91 pp 6-7

[Article by Lin Pei-shan (2851 3805 3790). "Why Is There Still No Agreement on the New Airport Plan?"]

[Text] Sino-British talks over the new airport question resumed on 18-22 May. After more than a month's recess, many had hoped that an agreement could be reached this time. But the five day meeting is over, and the two sides still have not reached any kind of agreement. On 23 May, representatives from both sides met separately with reporters. Both sides showed great restraint. While he refused to answer most questions, Andrew Burns, head of the British delegation, indicated that the two sides would continue their discussions. Meanwhile, Chen Zuoer [7115 0146 3167], head of the Chinese delegation, chatted amicably with reporters and even told them that China had come up with a proposal, and he called it a big step forward.

But putting on a calm and peaceable appearance cannot hide the truth about the talks. Both sides have disclosed privately through the media that in fact the meeting had gone very badly. Both had counted on the other side to make concessions, but neither was prepared to yield, and in fact both had added new conditions to their original demands, which made it impossible to reach any kind of agreement. The Chinese side accused the British side of backtracking. The British accused the Chinese of scheming to obtain the right to decide Hong Kong's affairs.

A British source disclosed that for all practical purposes the talks have bogged down. Both sides were only worrying about the impact on the Hong Kong people when they agreed to come out and tell the reporters that the talks were still on-going. In fact, if we compare the last adjournment in April when both sides came out and said that the talks would resume later with this time when both sides avoided answering the question of when the talks would resume and only said that the two sides would keep in touch, it is obvious that neither side knew when the next round of talks would be scheduled because unless one side makes a big concession, there will be no need, nor is there any basis, for further talks. To understand why things have gone so badly with these talks, we must first understand China's position on the issue.

At the news conference Chen Zuoer said that China had presented the British side with a new proposal and described that as a big step forward. This so called new proposal has four elements. One, China wants the right to decide all important matters that will have an impact beyond 1997. Two, it wants a new organization modeled after the Sino-British Land Commission to decide these important matters. Three, it wants the British-Hong Kong government to leave the 1997 Hong Kong Special Administration Region with HK\$100 billion, HK\$75

billion in land fund and HK\$25 billion in fiscal reserve, and if the Hong Kong government should go into debt and the repayment period should extend beyond 1997, such debt must have China's prior approval. Four, China wants its representatives in the Airport Management Bureau and in all major infrastructure consultative committees set up by the Hong Kong government for participation by the citizens of Hong Kong.

The fact is, there are few arguments over the fourth point. The problems are with the first three items. These three conditions which China has come up with are actually based on two inviolable bottom lines of its negotiations. One, the Chinese government cannot shirk responsibility but must concern itself with all issues that will have an impact beyond 1997, that may affect the smooth transition of power, and that will require the future SAR government to take responsibility. Two, while building Hong Kong's new airport, the financial health of the future HKSAR government must be guaranteed.

In the Sino-British disputes over Hong Kong's new airport in the past months there have been some indications of China's above-described bottom lines, but it is also believed that China did not finalize those bottom lines until after the April adjournment, and it is from there that this so called new proposal has evolved. The bottom lines and the new proposal make China's stand and its demands even more clearcut and firm, which prompted Chen Zuoer to describe it as a "big step forward." Some reporters mistook that to mean that the two sides had made good progress and went on to press whether the Chinese side had made concessions. That was indeed a big misunderstanding.

However, China's new proposal is not entirely without fresh ideas. Two points are particularly succinct and refreshing. Leave the SAR with HK\$100 billion, and apply the Land Commission model to decide all major transitional matters.

With regard to the so called Land Commission model, China feels that the Sino-British Land Commission has been in charge of negotiating and settling all trans-1997 land issues, and both sides have acted in the spirit of the Joint Declaration and have put maintaining Hong Kong's stability and prosperity first, and both sides have tried to understand each other and make concessions and have cooperated in a friendly way, and so far there has been no "veto power" problem. China feels that the experience of the Land Commission demonstrates that it has no intention of interfering with the British-Hong Kong government's daily administration and management prior to 1997 and that it is sincere in honoring the Hong Kong government's jurisdiction and making it a truly authoritative and effective government, and it should also prove that Sino-British discussions and settlement of trans-1997 matters and maintenance of the Hong Kong government's effective administration are not mutually exclusive.

China has also threatened that in fact without its cooperation and support on the trans-1997 matters, the British-Hong Kong government cannot possibly be effective or authoritative.

Just prior to negotiations, China even brought out Sun Yanzheng (1327 1693 3801), its chief representative in the Land Commission, who went to great lengths to explain to the reporters how the Land Commission works under Sino-British cooperation. On the financial issue, China has specifically asked that the SAR be provided with HK\$100 billion. It maintained that British-Hong Kong once suggested setting aside HK\$14 billion, which will be compounded to more than HK\$20 billion by 1997, but that it also proposed borrowing \$10 billion, and by 1997, it will be in debt for \$18 billion with interest, which will leave the SAR with only a few hundred million dollars, spare change compared to the Hong Kong government's more than \$70 billion reserve today. For this reason, China has specifically proposed that the net debt, British-Hong Kong must leave behind HK\$100 billion in 1997. The sum is to include HK\$25 billion in fiscal surplus and HK\$75 billion in land fund. If the debts it leaves behind are to be paid off with this HK\$100 billion, it must have China's approval before borrowing any money.

When Chen Zuoer met privately with reporters after the meetings had adjourned, he deliberately criticized the British on the loan issue. He pointed out that the British wanted to borrow money to fund the new airport but failed to specify the total principal and interest to be repaid by the SAR government in 1997, nor did it mention what collateral it will be using. He also accused the British of backtracking and said that which airport plan is being implemented, if the Hong Kong government has sufficient reserve to make up the shortfall left by private investments, why should it resort to borrowing?

China has continuously mobilized pro-Chinese news media to say that the above stand is in line with the Sino-British Joint Declaration, that it serves the Hong Kong people's interest, and that they believe it is to China's advantage to disclose the conditions put forward at the talks.

When the Sino-British negotiations ended in failure, Chen Zuoer announced that a new proposal had been put before the British, thereby seizing the initiative and putting the "ball" on the British court, forcing the British and Hong Kong governments to make concessions.

The Sino-British talks ended without accomplishing anything, and in the process, it also revealed that China not only is unwilling to make an inch of concession but is making harder demands at every step. This no doubt worries the British-Hong Kong government.

Today, the Chinese has put the ball on the British court, demonstrating clearly that unless Hong Kong is willing to accept China's new proposal and sign this coerced agreement, the talks are all over and the Hong Kong

government can forget about the new airport. When the talks ended without reaching an agreement, reporters asked Governor Wilson what the next step would be. He said, now is the time to do some cool-headed thinking and not make any sudden and rash decisions. The governor was clearly upset.

On the eve of the Sino-British talks, the Hong Kong government has prepared an internal memo which says that most fundamental to the new airport talks is the question of jurisdiction over Hong Kong prior to 1997.

The document says that since last summer, China's intention has gradually become apparent, that China believes Beijing has the right and the obligation to represent the future SAR government and to protect its interests, and therefore the Hong Kong government must seek China's approval before proceeding with all important matters prior to 1997.

The document makes several criticisms of China's attitude. It says, politically speaking, China's move represents a refusal to let the Hong Kong people to continue to take responsibility for matters that reach beyond 1997. It charges that China is making decisions for Hong Kong from a standpoint which is utterly repugnant to Hong Kong's capitalist stand and free market system. Worse yet, although China has proclaimed that the SAR will be able to make its own decisions after 1997, few will find it credible. Everybody expects that as soon as China begins to involve itself in Hong Kong's affairs, there will be no end to its interference.

The document also says that the real impact on the Hong Kong government's administration will be very serious. Not only will it look as if the jurisdiction over Hong Kong has been transferred from the Hong Kong government into Beijing's hands, but the real consequence is that if the Hong Kong government must seek Beijing's approval, it not only will mean long periods of discussion and negotiation, but to have to wait for Beijing to make up its mind will mean delays in the Hong Kong government's final decisions, and Hong Kong's success has always depended on its ability to make quick decisions and to adapt.

The document also questions China's insistence on deciding all important matters. But what constitutes an important matter? We must realize that the closer we get to 1997, everything the Hong Kong government does will have an effect on the future SAR government, every project the Hong Kong government undertakes will entail some cost, and some can be quite expensive; every appointment and dismissal will last beyond 1997, and some, such as the appointment of judges, will have far-reaching impact.

The document says that for these reasons, to accept China's demand for decision-making power will seriously undermine the most important accomplishment of the Joint Declaration, which is to turn Hong Kong from a highly autonomous colony into a highly autonomous Chinese SAR. The Hong Kong government's autonomy

was won only after arduous struggle, and to sustain this kind of autonomy through 1997 will be equally arduous, but the Hong Kong government cannot yield to China because of this.

Reportedly, this piece of document was drafted by the "hawks" within the Hong Kong government. But currently most high-ranking Hong Kong officials taking part in the new airport decision-making process are hawks. This document at least states clearly their worries about China's decision-making power. One point which should be clarified is that this document was deliberately "leaked" to the media and made known to the public. In it, the Hong Kong government has emphasized the post-1997 SAR government and its autonomy, which of course are among its concerns, but actually its greatest concern is, if it surrenders to the Chinese now, it must obey Beijing's every order from now on and rule Hong Kong jointly with Beijing. This of course is unacceptable to those officials who currently almost monopolize Hong Kong's decision-making power. On the other hand, to make it an issue of the post-1997 SAR's autonomy will have a basis in the Joint Declaration and will find support amid the Hong Kong people's anti-communist sentiments. This is the best excuse the Hong Kong government has to offer the Hong Kong people in return for their sympathy.

But it is the Land Commission model proposed by the Chinese side that the Hong Kong government finds most difficult to accept. According to the Hong Kong government, the Land Commission was created by the Joint Declaration; it has specific official power and functions and is responsible for approving land-use but does not involve itself with controversial matters of principle. However, all important issues in the transitional period, such as the new airport, are very complicated, and to let a Sino-British commission to intervene in those matters is to give China an avenue to get involved in Hong Kong's everyday affairs. The Hong Kong government officials' disdain for China's decision-making right is obvious. In the last two to three months, they have steadfastly refused to yield on this point, but China's tough stance has made it impossible to proceed with the talks. Now the Chinese has put the ball back in British-Hong Kong's court and is forcing Hong Kong to make a choice between its jurisdiction and its new airport. The high-level officials are naturally perplexed.

There are several views on why the Chinese has taken such a tough stand on this, but it is difficult to ascertain which of these opinion comes closest to the truth. One, China's tough stance is part of its negotiation strategy to force Hong Kong to make every concession it can make, and China will compromise only as a last resort. Two, China basically does not want Hong Kong to build its new Chek Lap Kok airport and is using every means to force the Hong Kong government to change its mind. There, the Chinese delegates are negotiating only on the old man in Beijing's instructions. The delegates know very well that the talks will bog down if they do not

compromise, but the old man wants to be tough, and there is nothing the delegates can do.

No matter what the Chinese really have in mind, Hong Kong is at this time trying to figure out how to pick up the pieces. Making concessions now is something quite unacceptable. For one thing, it has held fast for so long, how can it answer to the public if it backs down now? Second, Hong Kong really cannot sell out its administrative rights between now and 1997 in return for a new airport.

British-Hong Kong's refusal to yield can only mean putting off plans for the new airport. This will have two major effects. First, in the short and immediate term, it will be a serious blow to the Hong Kong people's confidence, the Hong Kong economy, and the Hong Kong government's prestige. However, after the talks ended without producing results, the Heng Sang index only fell by a little more than 40 points. No wonder the governor praised the Hong Kong people for showing maturity. Although this is a serious blow, it is hopeful that all will be forgotten in two or three months' time. But what really has the Hong Kong government worried is the long-term effect, that is, its impact on Sino-Hong Kong relations.

At the end, China's true intention is revealed in this incident. It is abundantly clear that China wants to rule over Hong Kong even before 1997. In this incident, even though Hong Kong can go ahead with its new airport and kick China's involvement, the Chinese will not give up so easily. During the transitional period, China can make things difficult for Hong Kong in many ways, such as over the continuation of patent rights, the annual land-lease renewal, the civil aviation agreement, courts of last instance, and the relationship between the Hong Kong government and various international organizations. Granted these are Hong Kong's internal affairs, but if we pay the least attention, we will realize that pro-Chinese newspapers have already stirred things up in several areas. China has expressed disapproval of the recent tax increase, inflation, price hikes, the Vietnamese boat people issue. If China uses the media and the public to make trouble for the Hong Kong government, it can only deepen the Hong Kong government's administrative crisis. In particular, the closer we get to 1997, even the once pro-British politicians and high-ranking Chinese officials within the Hong Kong government, either for the sake of their own political future or because realistically they will have to work with the Chinese after 1997, will gradually shift their support to the Chinese side, and the Hong Kong government will find itself in even worse plight. The new airport is the best example. When Chen Zuer met with reporters after the talks, he compared China's part in Hong Kong's administration to a new company taking over from the old company and the current board of directors consulting the directors-elect on all important matters. This comparison was actually conjured up by some local, very pro-British personages much trusted by the Hong Kong government.

The new airport plan was introduced hastily at the end of 1989 with the intention of creating some excitement for the depressed Hong Kong after the 4 June incident. Who would have thought that in a couple years' time, this happy event could turn into a disaster? Not only the new airport cannot be built, but it has also given China an opportunity to meddle in Hong Kong's affairs and further deepen Hong Kong's administrative crisis. This is certainly not something the high-level Hong Kong officials could have anticipated.

### Sino-British Controversy Over Bill of Rights

91CM05104 Hong Kong CHIU-SHIH NIEN-TAI  
in Chinese No 258, 1 Jul 91 pp 33-35

[Article by He Li (0149 4539); "Bill of Rights: Gate Made of Paper?"]

[Excerpt] [passage omitted]

In the past, Britain has not been very forthcoming on the question of safeguarding human rights in Hong Kong. At the level of international law, Britain in Hong Kong still has not conscientiously implemented the international conventions, only periodically submitting reports to the United Nations Human Rights Committee, and sending a representative to handle messages. At the level of local Hong Kong law and at the constitutional level, Britain has consistently failed to make conscientious efforts, has not introduced the relevant international agreements into local law, and it is not possible at the constitutional level to add any mechanisms to strengthen Hong Kong's human rights protection. Conversely, under a colonial type administration in Hong Kong, there remain harsh regulations for substantially limiting and infringing on human rights, though these harsh examples have been used relatively infrequently, and in recent years have been revised one by one.

Now, facing 1997, the British at long last are adopting measures to formulate a Bill of Rights in Hong Kong. Britain is basing this effort on the "The International Convention on Civil and Political Rights," because Britain is a signatory to the Convention, and the Joint Declaration Britain signed with China also stipulates that this Convention will continue to be in effect. The Hong Kong Bill of Rights more or less duplicates the contents of this convention (with the exception of the already declared reservation clause).

Of course it is essential to introduce the applicable stipulations of the Convention into Hong Kong local law. In the past, because the contents of the Convention were not a part of Hong Kong local law, courts had no way to invoke the Convention to examine and verify whether or not the actions of the Hong Kong authorities were in violation of human rights. After the stipulations of the Convention are brought into local law, when the government engages in actions that violate human rights, citizens can launch legal proceedings, and the courts can accept and hear cases, and examine and verify generally

recognized human rights standards and relevant legal precedents to make judgements.

It is also appropriate that a constitutional level bill for strengthening human rights be in an overriding position. A Bill of Rights must supersede other legal regulations, only then is it unlikely that human rights cases will be contradicted by other legal regulations and thereby weakened or limited.

The current Bill of Rights adopted by Hong Kong falls short of heightening people's expectations. It only has a binding force on government and public administrative authorities, while situations among private individuals where human rights are violated do not come under its jurisdiction. In addition, within the first year that the bill went into effect, there were also six regulations where restraint was rejected. Of course, the greatest shadow all along has been the opposition of Beijing. Under a variety of mitigations, the currently adopted Bill of Rights in fact already carries many components of political compromise.

It is very clear that in drafting a Bill of Rights Hong Kong not only has in mind the few remaining years of administration prior to 1997, but to a great degree has in mind the protection of human rights after 1997, because at that time, millions of people in Hong Kong will be handing over individual human rights to a communist regime with a bad record in this regard.

The British may believe that perhaps the Bill of Rights will be able to remain in effect during the transition, because its formulation is based wholly on the "The International Convention on Civil and Political Rights," and the stipulations of the Convention applicable to Hong Kong will continue to be in effect after 1997 and have already been affirmed in the Sino-British Joint Declaration, while the Basic Law also has similar provisions and no conflict exists between the Bill of Rights and the Basic Law.

However, is it possible that the problem of protecting the human rights of the people in Hong Kong will smoothly straddle the 1997 transition? This question must still be analyzed in terms of the three levels described above.

First, at the level of international law, though Beijing affirmed in the Sino-British Joint Declaration that the stipulations of "The International Convention on Civil and Political Rights" applicable to Hong Kong would continue to be in effect, it is not a signatory to the Convention, and whether or not Beijing would accept international inspection under a situation where Hong Kong is implementing the Convention remains a major question.

In 1988, the UN Commission on Human Rights convened a hearing in Geneva, and the British representative at the meeting was asked: China is not a signatory of the Convention, how will the British make a non-signatory country like China carry out the responsibilities of the Convention? At that time, the British representative

replied that this had not yet been discussed with the Chinese side, but it would be raised in the Sino-British Joint Liaison Group. At that time, the British representative also said that China was likely preparing to approve the Convention.

In April of this year, the UN Commission on Human Rights again held a hearing in New York, and the committee members at the meeting noted that the Sino-British Joint Declaration stated that the stipulations of the "The International Convention on Civil and Political Rights" applicable to Hong Kong would remain in effect. This includes the provision to report within a specified period to the UN Commission on Human Rights on the human rights situation in Hong Kong. For this reason, the Commission urged the British to work diligently to ensure that Beijing accepts that the post-1997 Hong Kong human rights situation will still be subject to examination by the UN Commission on Human Rights. At this hearing, the British representative replied that the British government will hold consultations with the Chinese in the Sino-British Joint Liaison Group, and explore methods for ensuring that after 1997 when Hong Kong implements the Convention that it will still accept inspections.

The two hearings came three years apart, but during this period the British still had not yet discussed with the Chinese how the provisions of the International Convention will be implemented after 1997 and how the human rights situation in Hong Kong will continue to be subject to international inspection. There has also been no movement on Beijing's preparation to approve the Convention. In 1989, the 4 June massacre and repression occurred, making it hard to believe that Beijing will join an international human rights accord or accept any international inspection.

Second, in terms of local law, assurance of the human rights of the people of Hong Kong must be implemented through local law. On this point the Basic Law also has relevant stipulations. Article 39, Section 1 of the Basic Law, the relevant stipulations of "The International Convention on Civil and Political Rights," and "International Convention on Economic, Social and Cultural Rights" and the International Labor Convention applicable to Hong Kong will continue in effect, and will be implemented through the laws of the Hong Kong Special Administrative Region (SAR).

Article 39 of the Basic Law explains that international conventions must be introduced into local law, this point is certain. The problem is that if the relevant stipulations of the international conventions are not implemented through relevant local law, it is impossible to tell the result. It may also be said that if there is no Bill of Rights, or after 1997 it is examined and canceled, even if there are stipulations in the international conventions applicable to Hong Kong, they will not be implemented, and not only will the Basic Law not be implemented, but it could even be limited and curtailed.

Beijing's threat to require the Bill of Rights to be examined after 1997 reflects the indignation of the Chinese side. Some representatives of the Chinese side denounced the Bill of Rights idea since there is the Basic Law, it is redundant to have a Bill of Rights, the two would have positions that rise above other laws, in the future, which one would be used as the yardstick? In addition, there is the fact that in Hong Kong (following the 4 June events) there have been burnings of the Constitution of the People's Republic of China and the Basic Law, public attacks on Chinese leaders and attacks on slogans of the Chinese Communist Party. These type of activities "in opposition to the Chinese central government" have been winked at and covered up by Hong Kong and Britain, and the Bill of Rights will make these activities "legal" to carry out. However, Beijing is by no means willing to allow these types of demonstrations that have emerged in Hong Kong to officially continue to exist freely, and would like to limit and eliminate them, and the existence of a Bill of Rights would become a restraint and an obstacle.

Third, at the constitutional level, before 1997 the constitutional system document for Hong Kong is "the mandate of the British crown," hence the overriding position of a Bill of Rights could be indirectly strengthened through revision of the "the mandate of the British crown." But this document loses its effect on June 30, 1997, and after this Hong Kong's "mini constitution" is the Basic Law. The time has come that the Bill of Rights must depend on the Basic Law.

Because the Basic Law already contains articles stating that the stipulations of international conventions relevant to Hong Kong will remain in effect, people believe that in the future the Bill of Rights would have the function of complementing the Basic Law, and even that the articles of the Basic Law could be implemented through the Bill of Rights. However, Beijing believes that the Bill of Rights would "have an unfavorable influence" on that Basic Law, and threatens that in the future it would have to be examined.

There is no relevant law, only a promise at the constitutional level to ensure human rights, which often has no real meaning. The Constitution of the People's Republic of China drafted by the Chinese Communist regime also clearly states that "citizens have freedom of speech, publication, assembly, association, travel, and demonstration," "personal freedom shall not be infringed," "human dignity shall not be infringed," etc. However, how have these basic human rights and freedoms been implemented on the Chinese mainland? Similarly, in the Basic Law, which carries preservation of the rights and freedoms of Hong Kong citizens accepted in accordance with international standards, there is the possibility that it will also be "an empty promise."

From the three aspects described above, at the international level, there are no indications that Beijing is willing to accept international restraints and inspections. At the level of local law, Beijing also is unwilling to see

Hong Kong have a set of international convention articles brought in and written into local legal statutes. And finally, what remains is the fact that Beijing is only willing at the constitutional level to indulge in exaggerations, saying that the Basic Law already ensures the rights and freedoms of the people of Hong Kong. In fact, in accordance with the Basic Law, after 1997 the Hong Kong SAR will not have any relevant laws and will not be able to implement the relevant stipulations of international conventions, even if this were done through the relevant laws, it would be extremely selective, and hence would be greatly watered down.

As 1997 approaches, the huge shadows of the "big men of the north" are being felt. Under these circumstances, one of the goals of much of the work done in Hong Kong, for example, the drafting of a Bill of Rights, is the desire to construct a gate for Hong Kong, to allow the people of Hong Kong to feel protected. The function of this gate allegedly is to resist the "big men of the north," but more often than not it will prove to be a paper gate.

### Prospects for Economic Upturn

91C006974 Beijing JINGJI CANKAO BAO in Chinese  
7 Jul 91 p 3

[Unattributed article: "A Change for the Better in Hong Kong's Economy"]

[Text] Data from the Hong Kong-Macao Administrative Office of the Hong Kong Chinese Bankers' Consortium indicate that Hong Kong's economy will this year show a better performance than during the preceding two years. This year's total value of local production at real value is estimated to show a 3.5 percent increase, which is higher than the 2.4 percent increase of last year and the 2.3 percent increase of the year before last.

During the first half of this year, Hong Kong's economy followed the trend of the second semester of last year in continuing its progress toward recovery. Export trade is the major force in the economic increase. The value of Hong Kong products exported during the first four months was H.K. \$66 964 billion (all dollars in the following text are Hong Kong dollars). This was a 6.1 percent increase compared to the corresponding period of the previous year, in real value an increase of about 4 percent, higher than the 1 to 3 percent estimate early this year. Entrepot trade during the first four months registered a powerful upswing, its value reaching \$145 873 billion, which was a 23 percent increase in real value. The flourishing entrepot trade also stimulated import trade, the value of which during the first four months was \$228 492 billion, i.e. 20 percent more than imports at real value during the corresponding period of last year.

The reason for this improvement in Hong Kong's foreign trade is mainly the increase in entrepot trade through Hong Kong of exports from and imports to the interior of China and the increased production by Hong Kong firms in the interior of China of items with great compatibility. According to statistics, the amount of Hong

Kong imports from the interior of China during the first four months had increased 26 percent, compared with the corresponding period of last year, and the value of such imports destined for entrepot trade had increased 32 percent. On the other hand, the value of Hong Kong products and entrepot commodities shipped to the interior of China increased 16 and 34 percent, respectively. Moreover, the Hong Kong dollar was devaluated following the devaluation of the U.S. dollar, which increased the compatibility of Hong Kong's exports, this too is an important reason.

Among increased internal demand, demand for investments has distinctly recovered. During the first four months, capital goods imported and retained increased almost 20 percent, among these, industrial and machinery items increased by about 30 percent. Investment activities in real estate have been particularly brisk. During the first four months, real estate transactions and their total value have increased 95 and 79 percent, respectively, compared with the corresponding period of last year. Retail sales of commodities, reflecting private consumption, had been listless, and during the first quarter the real value of imported and retained consumer goods declined about 6 percent.

Labor service trade conditions were mixed. There was a marked increase in shipments of foreign trade commodities. During the first quarter, export shipments by sea and by air increased 17 and 8 percent, respectively, and on the import side both had increased by 3 percent. Offshore banking business continued to increase; end of April the balance of overseas loans by banks had increased 13.3 percent, compared with the state at the end of last year, and was 10.5 percent over that at the corresponding period the year before. Tourism did not do well because of the Gulf war, during the four months 1.78 million person-times visited Hong Kong, which was 4.1 percent down, which has had an unfavorable effect on Hong Kong's invisible trade income and retail business.

At present, the high rate of inflation is a serious problem that plagues Hong Kong's economy. During the first four months, measuring the inflation rate for first-line consumer goods, the index went up 12.4 percent, of which in April alone was 13.9 percent. This was a 10-year record. The reason for so steep an increase in the inflation rate is mainly the expanding public expenditure of the Hong Kong Government and large increases in taxes and fees. Secondary reasons are increases in real estate prices, in wages, and in the cost of imported petroleum products, etc.

Looking forward toward the latter half of the year, economic activities will show the following tendencies:

Export trade will maintain a tendency of continued increases, which, furthermore, can be expected to maintain the range of the first half of the year, thus constituting the main impetus for an economic upswing.

As we see good prospects for Hong Kong's exports, there will not only be increases in orders in hand and retained imports of raw materials and semifinished products of Hong Kong firms, but it can also be predicted that demand in overseas markets will also increase during the second half of the year. The Organization for Economic Cooperation and Development has recently predicted that the rate of economic increases in its 24 member countries will rise from 0.3 percent in the first half of the year to 2.4 percent in the second half of the year. Of these countries, the rate in the United States will change from a 1.8 percent decline in the first half of the year to a 2.7 percent increase in the second half of the year. Japan will still show a 3.5 percent range of increase this year. Apart from the major Western industrial countries, Hong Kong's main trading partners in the Asian-Pacific region, such as Singapore, Taiwan, Malaysia, and Thailand, have all recently raised their forecasts of this year's increases in economic activities. All this provides favorable conditions for increased Hong Kong exports during the second half of the year. The ranges of increases in total exports of Hong Kong products and entrepot exports during the entire year this year are estimated to be 3 and 20 percent, respectively, calculated at real

value, i.e. better, than last year's achievement and better than forecasts made early this year.

Internal demand is troubled by such factors as the serious currency inflation and will make a weak showing. It is estimated that the real value of private consumer spending and local investments in fixed assets will be 3.5 and 5.5 percent, respectively, i.e. lower than the 4.2 and 6.4 percent of last year, and will also have very little impetus on the overall economic upswing.

Labor service trades are due for improvements. The very large range of increase in foreign trade will result in larger profits for the commodity transport industry, as it will also benefit the banks, insurance business, etc. In the tourist trade, a 5 percent increase in tourists is forecast, somewhat lower than last year, while overseas travelling by Hong Kong citizens will still maintain a fairly large margin of increase. Overall, we may say that labor services in connection with exports will increase by about 6 percent, and labor services in connection with imports will increase at the range of about 8.5 percent.

Inflationary pressure can be expected to ease during the second half of the year, but over the entire year the rate of inflation could be as high as 12 percent.

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